Rewarding, Organizing and Managing People for the 21st Century: Time for a Strategic Approach

PART III: Managing Change

June 30, 1997

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Rewarding, Organizing and Managing People for the 21st Century:
Time for a Strategic Approach
June 30, 1997

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CHAPTER 1
INTRODUCTION

This report recommends a fundamental change to the way the uniformed services manage their human resources. This change will transform the way the human resource management function is carried out and the competencies required of people – both within the function and throughout the uniformed services. Consequently, it must be viewed as a major organizational change. Such a change must be well planned and managed if it is to succeed.

This part of this report considers how large, diverse organizations manage change. It discusses types of organizational change; why organizations, individuals and leaders resist change; and how leaders can lead major organizational change efforts. It also presents a process for how the uniformed services can accomplish major organizational change. Although this part of the report is primarily intended to contribute to the adoption of a strategic approach to human resource management, the discussion is fully applicable to other major change efforts in the uniformed services as well. Finally, consistent with its primary purpose, this part of the report recommends specific activities to further the understanding and acceptance of a strategic human resource management process.

. . . the uniformed services must make the process of strategic human resource management part of the standard way of doing business throughout the organization.

Although important, it is not enough for current stakeholders to understand and agree to a changing role for human resource management in the organization. Because of the frequent turnover of stakeholders, the uniformed services must make the process of strategic human resource management part of the standard way of doing business throughout the organization. This process includes:

- Adopting and communicating a shared vision of human resource management.
- Incorporating human resource management considerations into the major planning activities of the uniformed services.
- Identifying how the human resource management system can help to better accomplish Department of Defense strategy.
- Assessing the future environment.
- Aligning the human resource management system with the strategy of the organization and the environment – and refining its applicability to the various parts of the enterprise.
- Developing a strategy for moving toward the desired system.
- Periodically repeating the process to assess the continued applicability of each step.

CHAPTER 2
TYPES OF CHANGE

This chapter presents a framework within which to consider change. It establishes a context for identifying the scope of change in an organization and sets the stage for discussing resistance to change.

Many authors have characterized change along a spectrum ranging from evolutionary to revolutionary.[1] At the evolutionary end of the spectrum, change proceeds slowly and often focuses on a single process or concept, such as introducing a new technology or fixing a specific organizational problem. Several previous quadrennial reviews recommended changes that were clearly evolutionary – important, though modest modifications to compensation policies and practices. At the revolutionary end, change begins with fundamental, far-reaching modifications to entire systems. The recommendation of the 8th Quadrennial Review of Military Compensation to adopt a strategic human resource management perspective could be considered an evolutionary change to the decision-making process of the department; the result of adopting a strategic approach could easily entail revolutionary changes. Either end of the spectrum can be appropriate for specific situations. In fact, organizations often employ both. Even after a revolutionary change, an organization may need to address new problems and make minor course corrections (an evolutionary approach).

The recommendation of the 8th Quadrennial Review of Military Compensation to adopt a strategic human resource management perspective could be considered an evolutionary change to the decision-making process of the department; the result of adopting a strategic approach could easily entail revolutionary changes.

Nadler and Tushman[2] characterized change along two other dimensions: scope and position of change in relation to key events. The scope can range from incremental to strategic. *Incremental* changes focus on individual components, with the goal of maintaining or regaining congruence or alignment with an existing strategic direction. Adding or revising a special pay for a specific skill category would be an example of this type of change. *Strategic* changes address the whole organization. These changes would include changing doctrine or the fundamental way of doing business. Changing from a focus on "attracting and retaining" to a focus on "organizational outcomes" would be an example of a strategic change.

> Incremental changes are made within the context, or frame, of the current set of organizational strategies and components. They do not address fundamental changes in the definition of the business, shifts of power, alterations in culture, and similar issues. Strategic changes change that frame, either reshaping it, bending it, or, in extreme cases, breaking it.[3]

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[1] Rosabeth Moss Kanter, Barry A. Stein, and Todd D. Jick, *The Challenge of Organizational Change: How Companies Experience It and Leaders Guide It,* (New York, NY: Free Press, 1992), pp. 3-5.

[2] David A. Nadler and Michael L. Tushman, "Organizational Frame Bending: Principles for Managing Reorientation," *Academy of Management Executive*, Vol. 3, No. 3 (1989), pp. 194-204; cited in Todd D. Jick, *Managing Change* (Burr Ridge, IL: Irwin, 1993), p. 227.

[3] Nadler and Tushman in Jick (1993), pp. 227-228.

The second dimension, position of change in relation to key external events, ranges from anticipatory to reactive. *Anticipatory* changes require an organization to scan the environment and have a clear idea on the direction it wishes to head in light of that environment. Force XXI represents an anticipatory change based on the expectation that the battlefield will change in the future. *Reactive* changes are in a response to an event(s). The drawdown in the early 1990s was a response to the fall of the Berlin Wall, the dissolution of the Soviet Union and the consequent shifting budget priorities.

Figure 1 uses these two dimensions to form a taxonomy of four types of change.

	Incremental	*Strategic*
Anticipatory	Tuning	Reorientation
Reactive	Adaptation	Re-creation

Figure 1 – Types of Organizational Change

The four types of organizational change are: [4]

- *Tuning* involves incrementally changing in anticipation of key events or to increase efficiencies. These changes are not undertaken to respond to any immediate problem. (For example, changes in medical special pays to respond to forecasted changes in retention or in desired skill mix.)
- *Adaptation* involves incrementally changing in response to external events, such as market shifts, competitor actions or new technology. These changes are required but do not cause fundamental changes throughout the organization. (For example, reengineering recruiting as the propensity to enlist falls off; the Defense Officer Personnel Management Act.)
- *Reorientation,* also called “frame-bending,” involves major change without a sharp break with the existing organization frame. These changes affect the entire organization and are undertaken in anticipation of a future environment that would necessitate or create opportunities for those ready to take advantage of it. Because these changes are undertaken in anticipation of a future

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[4] Nadler and Tushman in Jick (1993), p. 228.

predicted problem or opportunity, the organization is usually in the best position to undergo a major change, especially in terms of resources and time. In a frame-bending change, many elements of the past are kept – most typically, values. (For example, Joint Vision 2010; Force XXI; Goldwater/Nichols.)

- *Re-creation*, also called "frame-breaking," involves major fundamental changes to the organization as well, but these changes are forced by external events. Often the survival of the organization is on the line. It is also called frame-breaking because a radical change or break from the past is often also required. Changes will be seen in leadership, values and culture. (For example, the changes following from the transition to an all-volunteer force – particularly the reconstitution of the army during the late 1970s and early 1980s.)

Each type of organizational change can vary in degree of intensity. [5] Intensity can be described as "severity of the change and, in particular, the degree of shock, trauma, or discontinuity created throughout the organization." [6] Figure 2 depicts the relative degree of intensity between these different types of change.

The primary question the organization must confront is whether the strategic change will be anticipatory or reactive.

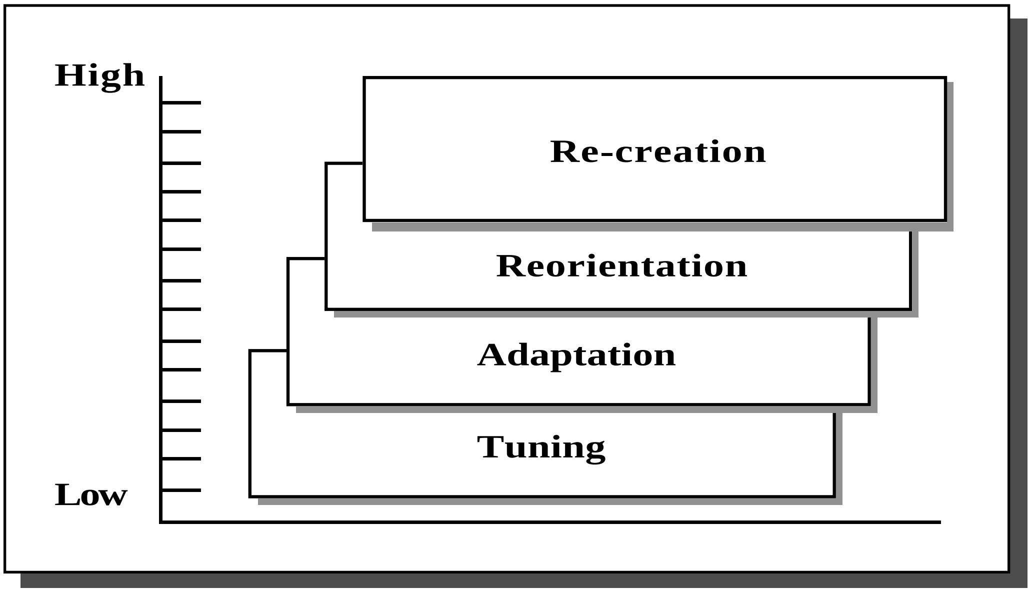

Figure 2 – Relative Intensity of Different Types of Change [7]

Organizational complexity amplifies intensity. [8] The number of employees or size of the organization and the diversity (number of different businesses, geographic dispersion, etc.) of the organization contribute to complexity. The more complex the organization, the higher the intensity, and therefore, the more difficult the change will be to manage. Difficult change by itself makes a strong argument for scanning the environment and anticipating needed changes, rather than reacting to external events. This is why re-creations are extremely traumatic to the organization. They occur in situations that require the most fundamental changes – in an environment least conducive to change. Often, survival is at stake and resources are limited because the organization faces a crisis. The change to the all-volunteer force contained elements of reactive change.

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[5] Berger and Sikora hold a similar perspective, but discuss intensity in terms of "change of business line" ranging from a major move within the same general market the business usually serves to transforming the business to serve an entirely different market and divesting itself of its original market niche. Lance A. Berger and Martin Sikora, *The Change Management Handbook: A Road Map to Corporated Transformation* (Burr Ridge, IL: Irwin Professional Publishing, 1993), p. 14.

[6] Nadler and Tushman in Jick (1993), pp. 228-229.

[7] Adapted from Nadler and Tushman in Jick (1993), p. 229.

[8] Nadler and Tushman in Jick (1993), p. 229.

This may appear to suggest that an organization should pursue incremental changes only. However, although the difficulty of instituting strategic changes may be great, many situations demand strategic change. The primary question the organization must confront is whether the strategic change will be anticipatory or reactive.

Any fundamental shift in direction of the organization must be treated as a large-scale change.

Any fundamental shift in direction of the organization must be treated as a large-scale change. All supporting organizational systems (namely, work processes, information systems, etc.) need to be aligned with the direction of the organization for the shift to be effective. Because a strategic change affects the entire organization and because many system changes must occur to support and align with the new strategic direction, leaders must make these changes happen simultaneously. This is an immense leadership challenge. If change is anticipated, leaders at least have the opportunity to phase it in; if it is reactive, leaders will find this option severely constrained.

In any event, "change" is not a discrete event; it is a journey. Private industry examples often show that for a change to become internalized, to become the "new" way of doing business (or embedded in the culture), usually takes five or more years. [9] Leaders must exert continuous effort to steer and reinforce the change or else people will revert to old ways of doing business.

Based on this framework, *implementing strategic human resource management in the uniformed services would call for a* ***reorientation****.* It is anticipatory and strategic and requires a high level of intensity.

Other authors view change similarly to Nadler and Tushman but emphasize the scope dimension alone. Burke, for example, discusses two "levels" of organizational dynamics (or organizational changes). [10] The first level is transformational – this is major change. It "requires entirely new behavior patterns on the part of organizational members" [11] (a *cultural* change). This type of change focuses on the external environment, mission and strategy, leadership, organizational culture, and individual and organizational performance. [12] Changing the role of human resource management in the uniformed services, employing a strategic human resource management process or implementing a major restructuring of a human resource management system in an organization based on a specific organizational strategy could be characterized as transformational change.

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[9] John P. Kotter, "Leading Change: Why Transformation Efforts Fail," *Harvard Business Review,* Vol. 73, No. 2 (March-April 1995), pp. 66-67.

[10] W. Warner Burke, "Critical Elements of Organizational Culture Change," in Lance A. Berger and Martin Sikora, *The Change Management Handbook: A Road Map to Corporate Transformation* (Burr Ridge, IL: Irwin Professional Publishing, 1993), p. 287.

[11] Burke, p. 288.

[12] Burke, p. 289.

The second level is transactional. [13] This type of change focuses on management practices, unit climate, systems, task requirements, individual skills and abilities, motivation, individual needs and values, and individual and organizational performance. These relationships are categorized as transactional because “alteration occurs primarily through relatively short-term reciprocity among people and groups. In other words, you do this for me, and I’ll do that for you.” [14] Implementing changes in components of the human resource management system to refine the system or to take account of modest changes in the environment could be characterized as transactional change.

Kanter *et al.* also view change from the scope dimension. They categorize change into three perspectives: [15] macroevolutionary, microevolutionary and political. A macro-evolutionary perspective focuses on how the organization relates to the environment. This type of change redirects or restructures the entire organization to better fit with its current or future environment. A microevolutionary perspective focuses on how the internal parts of the organization relate to each other. This type of change re-evaluates and redesigns work processes or how functional groups coordinate with each other. A political perspective focuses on the individual level. This type of change involves people and groups redistributing the organization’s power base. This perspective shares many commonalities with the transactional level.

Leaders must exert continuous effort to steer and reinforce the change or else people will revert to old ways of doing business.

Internalizing and employing a process of strategic human resource management will cut across all three of these perspectives. Each perspective will bring different and valuable insight to bear on the change. From a macroevolutionary perspective, the change will require a greater understanding of the internal and external environments and their influences on the effectiveness of the policies and practices of the human resource management system. From a microevolutionary perspective, the human resource management function will interact much more dynamically with the other parts of the organization’s infrastructure to support the overall strategic intent. And from a political perspective, the human resource management function will be viewed as a peer in the formulation of strategic direction.

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[13] Burke, p. 287.
[14] Burke, p. 288.
[15] Kanter, Stein and Jick, pp. 14-15.

CHAPTER 3
RESISTANCE TO CHANGE

The problem is, individuals and organizations tend to resist change. [1]

This chapter discusses resistance to change from the perspective of the organization, the employees and the leaders. It focuses initially on the sources of resistance to change and then explores avenues leaders can use to address, reduce or eliminate it.

Organizations resist change. "Organizations are systems, which means that anything more than trivial and surface changes needs to be seen as rooted in myriad features, and ultimately is an expression of the organization's character." [2] Although organizations exist by the agreement of those who comprise them, they seem to have a life or inertia of their own. The organizational structure, the reward systems, the information systems and the work processes influence how people within the system behave and react to changes. They have evolved based on what has proven successful in the past. These structures, systems and processes easily impede or resist desired change and become substantial barriers or obstacles to change. For example, the department – and the Congress – employ a well-defined construct for dealing with human resource decisions: The services' personnel life-cycle, the metrics used to measure success (quality, end strength, etc.) and the budget format for costing (but not valuing) human resources are all obstacles to taking a strategic perspective.

The organizational structure, the reward systems, the information systems and the work processes influence how people within the system behave and react to changes.

Employees resist change. Change is disruptive and intrusive because it upsets the balance that creates comfort and order in people's lives. The discomfort people feel with anything new can lead them to cling to old behaviors, habits and practices, particularly if these practices are perceived to have been successful in the past. This inertia can strangle change efforts; as Paul Allaire says, "[I]f individuals don't change, nothing changes." [3]

From an individual's perspective, organizations are designed to provide stability. "The central questions in organizational design are: how to identify the key *responsibilities*, representing the major tasks of the organization; and how to allocate the proper levels of *authorities*, to facilitate the use of necessary resources to execute the assigned tasks." [4] Standardized policies and procedures, as well as informal norms and organizational customs, all serve to provide a sense of predictability and stability. Knowing how the organization works, individuals develop an understanding of where they fit and how they contribute to making the organization – and themselves – successful.

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[1] John H. Zimmerman, "The Principles of Managing Change," *HRFocus*, Vol. 72, No. 2 (February 1995), p. 15.

[2] Kanter, Stein and Jick, p. 7.

[3] Robert Howard, "The CEO as Organizational Architect: An Interview with Xerox's Paul Allaire," *Harvard Business Review*, Vol. 70, No. 5 (September 1992), p. 117.

[4] Arnoldo Hax and Nicolas S. Mujluf, *The Strategy Concept and Process: A Pragmatic Approach*, 2nd ed. (Upper Saddle River, NJ: Prentice Hall, 1996), p. 221.

The comfort associated with this type of stability helps the individual identify with the organization. Thus, it is not uncommon to hear individuals describe themselves, even in non-work situations, with references to their work: "I am a teacher" or "I am a soldier." This identification also manifests itself in the work environment: "This is the way we do it here." Large-scale organizational change confronts this strong association of self with the organizational identity and, therefore, becomes a significant cause for individual resistance to change.

The discomfort people feel with anything new can lead them to cling to old behaviors, habits and practices, particularly if these practices are perceived to have been successful in the past.

Affective and Analytic Paths

Individual reactions to change occur along two separate paths, simultaneously – an affective path and an analytical path. [5] Progression along the affective and analytical paths are not necessarily synchronized. An individual who has progressed significantly along the analytical path may not have progressed far along the affective path.

The Affective Path. [6] On the affective path, individuals generally pass through three phases: an ending phase, a neutral phase and a new beginnings phase. In the ending phase, there is a process of disengaging or disidentifying oneself with the organization as the individual knew it. The stability upon which the individual has relied suddenly disappears. In the neutral phase, the individual realizes that he or she can not counteract the organizational change and worklife will not return to normal. The energy and attention the individual normally devotes to work processes is diverted to finding the lost stability. The final phase is a phase of new beginnings. The individual acknowledges that the change will occur. The individual begins the process of letting go of the past. Realizing that a new way of doing things is beginning, the individual begins to focus attention on the new environment and work processes. In this phase, the individual begins to identify with the new organization. New possibilities emerge and a new sense of organizational stability develops. Throughout all of these three stages, the individual's ability and willingness to take risk affects the ability to progress to the next phase. The unwillingness of individuals to take risks directly correlates with the level of resistance. If individuals are unwilling to take risks, the current way of operating provides a safe haven because it is tried and tested, not risky. Willingness to take risks is affected by the set of rewards and punishments the individual perceives related to taking those risks. In fact, if the human resource management system remains the same as before the change, it is sending a *strong* signal to the individual *not* to change.

The Analytical Path. On the analytical or intellectual path, the individual also goes through phases that are directly related to phases of the change. The analytical phase begins even before the official announcement of the organizational change. Large-scale changes in organizations usually do not occur by surprise. During an anticipatory stage, rumors abound, and people try to assemble a reasonable understanding of what is happening. When a change event is announced, individuals become more concerned about the nascent reality. People try to understand the change and their role in it by

. . . if the human resource management system remains the same as before the change, it is sending a strong signal to the individual not to change.

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[5] Jick provides the affective path perspective, while Isabella describes analytically developing mindsets to cope with change. Todd D. Jick, "The Recipients of Change," Harvard Business School case N9-491-039 (Cambridge, MA: Harvard Business School, 1990), in Todd D. Jick, *Managing Change* (Homewood, IL: Irwin, 1993), pp. 322-333, and Lynn A. Isabella, "Managing the Challenges of Trigger Events: The Mindsets Governing Adaptation to Change," in Todd D. Jick, *Managing Change* (Homewood, IL: Irwin, 1993), pp. 18-29.

[6] Jick used the term "emotional."

remembering events associated with changes in their personal past. This is easier for individuals in organizations where change is common. Once the event occurs individuals become primarily concerned with the question of what the changes will mean for their role. Focus is on the juxtaposition of the old versus the new. Symbols are critical, because they signal appropriate views and help create a shared image of what the change means. As a common understanding is developed within the organization, individuals build a community identity. As time passes, there is a growing realization of the permanent changes wrought and of the consequences that those changes and the event itself have had for the organization and its members. People try to draw overall conclusions and learnings from the event and, thus, put the event in perspective.

Leaders resist change. Change affects everyone, *particularly* leaders. Change requires new behaviors, and leaders must demonstrate those behaviors. If the change requires more collaboration and cross-functionality, leaders must demonstrate commitment to the organization's goals and resolve resource allocation issues in line with the desired change. Leaders must be willing to participate actively in the change themselves, for example, by implementing new performance appraisals that apply to them before the rest of the organization.

Change affects everyone, particularly leaders.

Another reason change is so difficult is that leaders are successful products of the organization itself. They embody and epitomize the organization's culture. "At Texaco, for example, no one was ever encouraged to look outside the firm for superior business ideas; managers acted as if they already had all the answers." [7] Likewise, at Xerox, "instead of measuring themselves against the needs of customers and the performance of competitors, people competed among themselves in a race for personal aggrandizement." [8] Texaco and Xerox had long years of success that bred their cultures. Those most resistant to change are often the individuals who have been with the organization the longest and have been the most successful.

For leaders, change means being willing to submit to the scrutiny of the entire organization and personally leading the change effort. This is a big commitment and is personally risky. It's walking the talk; and it's crucial. The signals leaders send through their actions communicate a message to the rest of the organization about the strategic change; the message sent either is: "this change is for real and it's important" or "we're not really committed to this change; though we speak about it, business is still as usual."

Instituting change is difficult and uncertain. Paradoxically, when the need for change is the most obvious, the organization may face the greatest difficulties because it has limited resources to maneuver. Conversely, when the organization is successful, usually its inclination to change is low. [9] Change is risky. However, the riskier course of action for the *long-term good of the organization* is not to change. Leaders must be willing to consider change relying on perhaps no more than a series of small indicators and trends.

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[7] Douglas K. Smith and Robert C. Alexander, *Fumbling the Future* (New York, NY: William Morrow, 1988), p. 181; quoted in John P. Kotter and James L. Heskett, *Corporate Culture and Performance* (New York, NY: Free Press, 1992), p. 76.

[8] Smith and Alexander, p. 76.

[9] Kanter, Stein and Jick, p. 7.

Principles for Overcoming Resistance [10]

Define a set of goals. Large-scale organizational change is a planned change with a purpose. Setting goals allows the organization to measure progress and provide a sense of accomplishment and direction. "By synchronizing your objectives with the company's long-term strategy, you will avoid dissonance within the change process." This is, again, aligning efforts to the organization's objectives, and it sends clear messages to all on what is important to the organization.

Establish what will not change. "Identify the bedrocks that your employees can always depend on as they work their way through the change process." In many organizations these bedrocks may include organizational vision, core values, quality standards and commitment to the quality of life of employees. The uniformed services are organizations with long histories and strong cultures, which have clearly articulated core values; this is a strength that needs to be built upon. Any changes must build upon these values.

Obtain buy-in to the process. Find the resistance early in the process. Determine why the resistance is happening and who is causing it. Understanding the resistance and associated concerns gives the leaders an opportunity to explain how the change will address those concerns or solve those problems. Also, filtering change goals through individuals' personal concerns allows the change to be framed in a way that provides meaning and reassurance to individuals. Everyone is concerned with "How will this affect me?" Ideally, finding an unfilled need and demonstrating how the new system can fill it could change a resistor into a supporter.

Create a change plan. People deal better with a solid plan to provide guidance than chaos. A plan helps explain the changes going on all around the organization. It provides structure to the change and helps everyone see their particular role in the change. It also alleviates fears about how an individual's role will change if the individual can see where he or she will eventually fit back in.

Move decisively and with speed. "People ... can't stand to be worried about bad news. Don't cut off the dog's tail an inch at a time." [11] Change needs momentum to occur. Moving decisively adds to the feeling of urgency that is needed to create this momentum. If the momentum and incentive to change are not there, change will not happen. It is much too easy to continue to do business the old comfortable way.

Communicate with employees. "Communications must go two ways, of course .... The other half is to listen to their concerns, views and feelings." Communication must be done throughout the entire change process. Initially, the messages typically focus on why there is a need for change and what the change is. Later, as change is under way, communication helps bring concerns to light, reinforces the change by sharing success stories and generates understanding of the change.

Change is risky. However, the riskier course of action for the long-term good of the organization is not to change.

The Role of Leadership in Large-scale Organizational Change

Strategic change, by its very nature, can be traumatic for an organization. The reasons for change must be communicated, resistance must be overcome and people must be shown what is expected from them. Therefore, the leadership of the organization is instrumental to successful change. Compounding the problem, in large-scale changes, is that the management process and structure themselves may be the subjects of change. That is certainly true in the case of adopting a strategic perspective to human resource management. Moreover, the organization's definition of effective leadership may be changing. This appears to be the case in Force XXI with its emphasis on different behaviors required of soldiers. For all strategic changes, leaders become a critical element of change management. This is true whether the change falls in the category of re-creation or reorientation. Nadler and Tushman [12] delineate four activities leaders must engage in to successfully manage change that falls in the category of reorientation.

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[10] Zimmerman, pp. 15-16.

[11] Norman R. Augustine, President and Chief Executive Officer, Lockheed Martin, from remarks at the Forum on Strategic Human Resource Management, February 14, 1996, Washington, DC.

The first is *strategic anticipation*. Reorientation requires the organization to anticipate the conditions for strategic change and to determine the effective responses to that change. Although Nadler and Tushman's framework tends to view the changing external environment as the focus of this anticipation, the focus can also be a leader's vision of the future. In other words, it can be proactive, always attempting to conform to the future the leader has envisioned for the organization. Obviously, the leadership must spearhead this anticipation, either by pointing out important environmental clues to watch for or by suggesting what the future of the organization should be. Without the involvement of top leaders, no change will be initiated.

For all strategic changes, leaders become a critical element of change management.

Second, reorientation requires a *created sense of urgency*. The need for change is not apparent to everyone; therefore, they have to be mobilized by creating a sense of urgency. This sense of urgency can result from anticipated environmental changes or the need to attain a shared vision. Usually, only leadership can create such a sense throughout an organization.

Third, reorientation requires effective *creation and management of pain*. Urgency frequently results from pain. Pain, however, can motivate both functional and dysfunctional behavior. This pain can be the result of reacting to external forces, such as failure to meet readiness requirements or recruiting shortfalls, or it may come as a result of the changes deemed necessary to reach the goals the leader has prescribed to make the organization more effective in the future (for example, Force XXI; Joint Vision 2010). Again, only the leaders have the capability to shape the responses to pain by providing direction.

Finally, reorientations are effective when people perceive the required change to have *centrality* – to be truly critical to the basic business and strategic issues of the organization. Centrality – whether it comes from shared vision of the organization's future or from the common understanding of the forces in the external environment – if not apparent, can only be defined by the leaders.

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[12] David A. Nadler and Michael L. Tushman, "Leadership for Organizational Change," in Allan M. Mohrman, Jr., Susan Albers Mohrman, Gerald E. Ledford, Jr., Thomas G. Cummings, Edward E. Lawler III and Associates, *Large-Scale Organizational Change* (San Francisco, CA: Jossey-Bass Publishers, 1991), pp. 103-104.

Nadler and Tushman [13] also focus on two aspects of leadership that are important in managing change: leading change and institutionalizing change. The first aspect, *leading change*, is the ability to get people interested in and excited about the change, to mobilize action within an organization and to sustain action over time through personal actions. This involves working and communicating effectively with the people in the organization. Three behaviors characterize this aspect of leadership.

- *Envisioning* involves the creation of a picture of the future that people can accept and that generates excitement. By creating vision, the leader provides a way for people to develop commitment, a common goal around which people can rally, and a way for people to feel successful.
- *Energizing* describes the ability of the leader to generate energy among members of the organization. The leader can do this by demonstrating personal excitement, combined with the leveraging of that excitement through personal contact with large numbers of people in the organization.
- *Enabling* allows the leader to help people act or perform in the face of challenging goals. This can be done by demonstrating empathy – listening to, understanding and sharing the feelings of those in the organization – and by showing confidence in the ability of people in the organization.

Leading change focuses on exciting people, shaping their aspirations and directing their energy.

Leading change focuses on exciting people, shaping their aspirations and directing their energy. In practice, however, this is normally not enough to sustain the desired behavior. The followers may be committed to the vision, but other forces influence their behavior, particularly when they lack direct contact with the leader. This is especially important when the formal organization and other informal social systems lag behind the leader. This is where a second, more institutional, aspect of leadership is needed to ensure change compliance consistent with the commitment created by the "people-oriented" leader.

The second aspect, institutionalizing change, is the ability to enforce compliance with the rules of the change . . .

The second aspect, *institutionalizing change*, is the ability to enforce compliance with the rules of the change – making sure people engage in behaviors that are aligned with the strategic intent and the vision of the organization. This is accomplished through proper alignment of the systems (for example, human resource systems, budgeting systems, information systems, etc.) of the organization. This leadership quality focuses not on exciting people and changing their goals, needs and aspirations but on ensuring people throughout the organization behave in the ways needed for the change to occur. This is a more instrumental approach and involves the managing of environments and organizational systems to create conditions that will motivate the required behavior. It is about aligning the operations of the organization with the overall vision and strategy. Three behaviors also characterize this aspect of leadership.

- *Structuring* allows the leader to invest time in aligning the systems within the organization so that people know what types of behavior are required. This involves setting goals, establishing standards, defining roles and similar activities. It involves detailed planning: What will people need to do, and how will they be required to act during different phases of the change?

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[13] Nadler and Tushman in Mohrman *et al.* (1991), pp. 104-109.

- *Controlling* involves the creation of systems and processes to measure, monitor and assess both behavior and results to administer corrective action.
- *Rewarding* includes the administration of both rewards and punishments depending on how consistent behavior is with requirements. Again, the point is that rewards are important, but only in the context of other patterns of organizational behavior that are consistent with the rewards.

Solving the Leadership Dilemma

The necessity for using both aspects of leading change creates a dilemma. Because one focuses on the people side of change and the other focuses on enforcing compliance, it is hard to find a single leader who can excel at both simultaneously. This is partly because "people" leadership depends on the frequency and intensity of contact between individuals and the leader – and the opportunity for this contact is often limited. On the other hand, compliance leadership is limited by the degree to which the leader can change the structures and systems within the organization to align and promote the right behaviors in a timely manner. In large organizations, these limitations can become significant problems. These limitations can be overcome by creating more participative leadership. In this way, the scope and impact of the "people" leader's actions can be broadened, and the influence of the compliance leader can be increased. Nadler and Tushman propose that there are three leverage points for the extension of leadership. [14]

Development of an effective, visible and dynamic senior team can be a major step in getting around the limitations of the individual leader.

Nadler and Tushman indicate that the first leverage point is the senior team. Development of an effective, visible and dynamic senior team can be a major step in getting around the limitations of the individual leader. Several actions are important in building a senior team.

- Visible empowerment of the team: Team members must be provided autonomy and the resources to serve effectively. The team must also be symbolically empowered – the organization must be told that these executives are, indeed, an extension of leadership.
- Individual development of team members: Team members must have the skills necessary to deal with the change environment. They need to think differently about the business and how they manage.
- Composition of the senior team: Different skills, capacities and styles may be called for.
- Inducement of strategic anticipation: Strategic anticipation is critical. The senior team needs to help anticipate events that may demand strategic change. As mentioned earlier in this chapter, this anticipation may be twofold; it should include a method for scanning the external environment

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[14] Nadler and Tushman in Mohrman *et al.* (1991), p. 111.

and reacting. But it can also be created by the group having a strong desire to reach a shared vision of the future. Reorientation occurs because the organization's leaders think that the organization can secure a competitive advantage from initiating the change sooner rather than later.

- The senior team as a learning system: The team must become an effective system for learning about the business, the nature of change and the task of managing change. The team should be an open system, receptive to ideas and information from the outside.

A variation to the senior team is what other authors [15] refer as a *guiding coalition.* This coalition is made up of members from all levels of the organization, not just senior managers. (If the coalition or management team is to help excite people and align systems, it makes sense to include representatives from all levels of the organization to bring different perspectives to bear.) Because most of the senior managers must support the change plan, it may be this guiding coalition that is responsible for changing the attitudes of the senior management and overseeing the next two leverage points.

The second leverage point is involving middle management in the change process.

The second leverage point is involving middle management in the change process. This includes getting them committed to the change, especially those who might feel like a victim of the change instead of a manager of the change. Specific actions might include:

- Rites of passage: Formal events to bring in the new ways and retire the old.
- Senior groups: Councils, boards, conferences.
- Participation in change plans: Participation will lead to feelings of ownership.
- Intensive communication: If the process is clearer and better understood, more people will buy in to it.

The third leverage point is leadership *development*. There must be strategic and anticipatory thinking about certain aspects of the leadership development process:

There must be strategic and anticipatory thinking about certain aspects of the leadership development process.

- Definition of managerial competence: Defining the skills and capacities needed to manage and lead during and after the change.
- Recruiting managerial talent: Reorientation may require organizations to find new sources for acquiring managerial talent.
- Socialization: Deliberate actions need to be taken to teach managers how the new social system works. This process must lead rather than lag the change.
- Management education: Managers may need to be taught new skills or competencies in order to align their skills with those required after the change.
- Career management: Aligning the management of personnel with the strategic vision is critical. Preparing people to deal with changes may mean a reevaluation of the types of experiences that people need during the course of a career.

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[15] Kotter (March-April 1995), p. 62.

- Seeding talent: Placement of talented personnel throughout the organization is important. [16]

Any change will experience resistance from the organization, the members and the leaders. The adoption of a strategic approach to human resource management is a change that will encounter substantial resistance. It will not be implemented without strong leaders. Unfortunately, in the department, as in most government agencies, the leaders turn over relatively frequently; they may be proactive, but they are seldom long lasting. This argues for an internalized process that will provide the longevity.

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[16] David Ulrich and Dale Lake, *Organizational Capability: Competing from the Inside Out* (New York, NY: John Wiley & Sons, 1990), p. 266.

CHAPTER 4
RECOMMENDED CHANGE PROCESS FOR THE UNIFORMED SERVICES

Introduction

From the 1940s to the 1980s, literature on organizational change theory suggested that change was a step-by-step process that could be facilitated by change consultants and experts. Table 1, summarizing many of the prominent organizational change theories, highlights the similarities among these processes. [1] Change is seen as a three-part process: (1) recognizing the need to change, (2) envisioning a better organization for the future and (3) implementing the change.

Table 1 - Change Theories

MODEL		PROCESS	
Lewin (1947)	*Unfreezing*	*Changing*	*Refreezing*
Beckhard and Harris (1977)	*Present State*	*Transition State*	*Future*
Beer (1980)	*Dissatisfaction*	*X Process*	*X Model*
Kanter (1983)	*Departures from Tradition and Crises*	*Strategic Decisions and Prime Movers*	*Action Vehicles and Institutionalization*
Nadler and Tushman (1989)	*Energizing*	*Envisioning*	*Enabling*

In the last decade, corporations throughout the world have experienced major change on a regular basis . . .

In the last decade, corporations throughout the world have experienced major change on a regular basis and have given change theorists numerous examples of actual organizational change. As a result, the theories have expanded to recognize constantly changing internal and external environments, differing types and attitudes of stakeholders, problems associated with resistance to change and the effect of various leadership styles on a changing organization. "In fact, while the literature often portrays an organization's quest for change like a brisk march along a well-marked path, those in the middle of change are more likely to describe their journey as a laborious crawl toward an elusive, flickering goal, with many wrong turns and missed opportunities along the way." [2]

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[1] Kanter, Stein and Jick, p. 376.
[2] Kanter, Stein and Jick, p. 373.

Change theories provide one perspective; another derives from studying private sector practices. Two published meta-analyses [3] document how large organizations have undertaken major change. One, conducted by Ernst and Young, was based on their experience in working with private sector companies on organizational transformation. The other, a 1992 General Accounting Office Report on *Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values*, evaluates nine large companies that have diverse, global interests and that have attempted to strengthen or change their cultures. In addition, eight separate articles have described how 11 other large private sector companies have transformed themselves. These companies represent varied industries such as electronics, utilities, retail, transportation and communication. Seven of the companies were American, two British, one Mexican and one Japanese.

Appendix I categorizes the change processes described in the two meta-analyses and in the studies of the 11 large private sector companies into four discrete "phases." This provides a convenient framework to summarize how other organizations have managed change. This private sector analysis and the change management theories described in the previous chapters provided the basis for developing a change process applicable to the recommendations in this report. That specific change process also consists of four phases:

- Phase 1: Developing the need to change.
- Phase 2: Developing support.
- Phase 3: Developing a change plan.
- Phase 4: Implementing the change.

The process focuses on large-scale organizational change, although many of the phases also apply to smaller-scale changes. No single change process applies to all situations. The phases may need to be evoked in a different order, be repeated, occur simultaneously or not be used, depending on the circumstances. A change process can not be described as a discrete step-by-step progression in a structured framework. "Change is extraordinarily difficult, and the fact that it occurs successfully at all is something of a miracle." [4]

Developing a need to change is essential.

Phase 1 – Developing the Need to Change

Developing a need to change is essential. Organizations in crisis have a ready-made case; however, this is not the preferred path. Other organizations must look to the environment, develop an argument for an impending crisis and set forth a vision of what the organization should be in the future. These represent three interrelated steps; each is described in turn.

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[3] Meta-analyses are the aggregation of several independent analyses (in these cases, individual companies) into one overall or higher level analysis whose purpose is to examine the nature, assumptions, structures, etc. of a specific field. In these analyses, the critical change steps of several companies were combined to provide insight into change processes within the private sector. These two meta-analyses, along with the observations regarding the companies listed at Appendix I, were used as the data for this section.

[4] Kanter, Stein and Jick, p. 370.

Scan the Environment and Diagnose the Problem

To succeed, an organization must adapt to its environment. Organizations should not wait for external forces to mandate change; rather they should scan the environment and identify the need for change. Failure to adapt to the environment may not always result in an inability to accomplish the organization's mission, but it could preclude achieving the highest level of organizational performance possible with the resources available. One needs to look no further than the 1970s for an example in the military.

The future is unpredictable, but the uniformed services are recognizing obvious changes in the environment:

Failure to adapt to the environment may not always result in an inability to accomplish the organization's mission, but it could preclude achieving the highest level of organizational performance possible with the resources available.

- Changing world politics, nation-state alliances, religious-cultural alliances and economic alliances affect potential roles, missions and training requirements.
- Changing American society is reflected in the values, attitudes and educational levels of young recruits and in the changing expectations of the nature of work.
- Changing national priorities and budget constraints affect plans for new technologies, facilities, weapon systems and how service members will be employed to accomplish organizational ends.
- Accelerating technological change has and will impact the desired characteristics and behaviors of service members.

> Accelerating rates of change will make the future environment more unpredictable and less stable, presenting our Armed Forces with a wide range of plausible futures. Whatever direction global change ultimately takes, it will affect how we think about and conduct joint and multinational operations in the 21st century. How we respond to dynamic changes concerning potential adversaries, technological advances and their implications, and the emerging importance for information superiority will dramatically impact how well our Armed Forces can perform its duties in 2010. [5]

The process of diagnosis involves collecting and analyzing data about the organization and the relevant aspects of the organization's environment. These data can come from many different sources. Most often, these sources even include the organization's members and customers, who form the interface between the organization and its environment. Understanding that the environment is changing and the direction in which it is changing is crucial to the diagnosis.

Understanding the changing environment, however, is only the first part of the diagnosis. The organization must also determine where there is a lack of fit between itself and this new environment. Its strategy must take account of the strengths and weakness of the organization and of the opportunities and threats the environment poses. It must define the structure, processes and systems needed to support that strategy. Because each organization is unique, the success stories and best practices from one organization may not necessarily be the practices that will work in another organization. The changes required to the structure, processes and systems may be relatively minor or may entail radical shifts in the organization's way of doing business. In either case, understanding the misalignment between the new environment and the current organization's ability to cope with it helps define the scope of the change necessary.

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[5] U.S. Joint Chiefs of Staff, *Joint Vision 2010* (Washington, DC: Joint Chiefs of Staff, July 1996), p. 5.

The most common reason an organization fails to scan the environment is that it relies on instinct, experience and current knowledge to evaluate decisions, rather than on critically evaluating new data and environments. This is particularly true in organizations that are as large, traditional – and successful – as the uniformed services.

Mature organizations can be saddled with constituencies who wish to maintain their current balance of power. Questioning the *status quo* is frequently construed as a threat to teamwork and commitment; and because of the past success of mature organizations, many leaders see no reason to examine the skills, knowledge, systems, values and culture needed by the organization in the future. "In mature firms, even modestly unadaptive cultures can resist change with great intensity. Overcoming this tendency requires a specific combination of personal attributes and actions – a combination that appears to be all too rare today."[6] The above observations apply, as well, to the uniformed services: "Commanders must swim against the tide – both individual and institutional – that has often frustrated those who attempt to adapt forces to the challenges of a new era. The personal stakes are high, but the cost of failure is much greater."[7]

Although change is more difficult for large, mature organizations such as the uniformed services, it is possible as long as the organization accepts and commits to the challenge. The organization must not wait for a crisis to force a change in the way it does business; rather, it must look at change and adaptation to the environment as a way to develop new opportunities to better accomplish its strategic intent.

. . . the best performers insert change detection into their management styles and sometimes try to create change themselves.

The organization must not allow itself to take an "it can't happen to us" attitude. A system must be put in place for early detection of change "triggers"[8] in the environment – threats or opportunities that can destabilize the existing situation. In industry, where change is much more common than stability, the best performers insert change detection into their management styles and sometimes try to create change themselves.[9] One of the functions of the Defense Human Resources Board recommended below would be to scan the internal and external environments and to identify potential threats and opportunities that could be addressed by a human resource management system.

Once the senior leadership of the organization diagnoses the problem, the next step is to get the organization to change. Organizations, however, are designed to provide stability and, therefore, inherently resist change.[10] As a result, senior leaders need to communicate that the current way of doing business will hinder organizational success in the future. The leaders have several ways of accomplishing this. Two of the most useful are establishing a sense of urgency and articulating a vision of how the organization will look in the future.

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[6] Kotter and Heskett, p. 144.

[7] Lieutenant Colonel Jay M. Parker, "Change and the Operational Commander," *Joint Forces Quarterly*, Winter 1995-1996, p. 90.

[8] Berger and Sikora, p. 7.

[9] Berger and Sikora, p. 5.

[10] Nadler and Tushman in Jick (1993), pp. 225-243.

Establish a Sense of Urgency

Because the members and managers must be energized to get the change initiated and executed throughout the organization, many leaders begin by establishing a sense of urgency. Simply dictating the need for change from the top of the organization is not sufficient. Permanent change is accomplished in the middle of the organization. If the mid-level managers and members agree and see the need for change – and then act – the change can propel the organization forward. If, however, the communicated need for change is seen by middle managers and the members as just another "temporary" initiative of the current (and transitory) leadership, nothing happens.

> Change is all about critical mass. If you get a critical mass of real change leaders in the middle, you have a much better chance of leading a successful change effort. You can not do it alone – and while there are isolated examples of the dynamic CEO driving change from the top, these are few and far between. . . . However you do it, you eventually need a critical mass of real change leaders throughout the organization. [11]

To get the organization to change, the discomfort associated with continuing to operate the old way must be greater than the discomfort associated with changing.

Taking a strategic approach to human resource management will first have a direct impact on the way senior civilian and service leaders do business. However, the changes likely to result from thinking differently about human resource management will affect the role of operational commanders and lower-level human resource leaders throughout the uniformed services. For the most part, they, too, are comfortable with the way they do business today, and a sense of urgency is necessary to motivate them to change as well.

"In some cases, a sense of urgency can be created by presenting information that shatters widespread assumptions about the current situation. But this tactic addresses the intellectual inertia. Urgency and energy are emotional issues, and experience indicates that people and organizations develop the energy to change when faced with real pain." [12] The discomfort or cognitive dissonance felt when an individual is faced with loss of stability causes the "pain." The organization provides stability and a standard way of operating. To get the organization to change, the discomfort associated with continuing to operate the old way must be greater than the discomfort associated with changing. "The larger and more intense the change, the more extreme the pain needed to mobilize individuals to consider doing things differently. There are a number of different ways in which pain can be created. Most of them involve employees participating in the process of data collection, discovery, and comparison of their organization against accepted benchmarks." [13] By getting employees to gather the information, the employees discover for themselves and begin to understand the true extent of the need for change. The goal in creating discomfort is not to go so far as to create only defensive reactions but, instead, to go far enough that it energizes and motivates people to change.

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[11] Jon R. Katzenbach, Frederick Beckett, Steven Dichter, Marc Figen, Christopher Gagnon, Quentin Hope and Timothy Ling, *Real Change Leaders: How You Can Create Growth and High Performance at Your Company* (New York, NY: McKinsey & Company, 1995), p. 331.

[12] Nadler and Tushman in Jick (1993), p. 233.

A number of companies emphasize the criticality of establishing a sense of urgency. Richard L. Harder, Vice President for Organizational Planning and Development at Bell South, states this unequivocally: "[U]rgency – is of absolute importance. It is the one thing that can help you overcome the inertia that exists if your company has settled into a stable state over a long period of time. If you don't have a crisis, you need to create one." [14] According John P. Kotter, [15] long-time observer and consultant on corporate change, over 50 percent of the companies he has seen that have attempted change fail because they did not create the motivation for change.

Kotter and Heskett concluded in their study of private sector companies that the urgency for change always came from a strong leader who questioned the *status quo* based on the needs of the customers of the business. The questions asked were: "Is this what customers need and want? Is this the most efficient or productive way to deliver those products and services?" [16] Energy does not come from reviewing internal processes and successfully accomplishing them. Instead, leaders have to refocus their attention (and that of the other members of the organization) on the customer and reevaluate the processes in terms of their needs. Adopting a strategic approach to human resource management means focusing attention, first, outside the human resource management function (on operational commanders, for example) and, then, outside the operating unit (on its "customers," for example) rather than simply on how to improve this process within the function. There is no obvious urgency to embark on this change today within the department; the challenge is to look to the future and define what the operators and the customers will want from the human resource management function.

Adopting a strategic approach to human resource management means focusing attention, first, outside the human resource management function (on operational commanders, for example) and, then, outside the operating unit (on its "customers," for example) rather than simply on how to improve this process within the function.

Nadler and Tushman recommend a "centrality principle" to focus the energy of people. "Successful long-term changes are positioned as strategic imperatives that are compelling to members of the organization. Usually, the connection is so clear and has so much validity that the relationship of the change to company health and survival is obvious." [17]

In large diverse organization such as the uniformed services, finding one focus for a sense of urgency can be difficult.

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[13] Nadler and Tushman in Jick (1993), pp. 233.

[14] A. J. Vogl, "Plugging in Change," *Across the Board*, Vol. 32, No. 9 (October 1995), p. 26.

[15] Kotter (March-April 1995), p. 60.

[16] John P. Kotter and James L. Heskett, *Corporate Culture and Performance* (New York, NY: Free Press, 1992), pp. 145-146.

[17] Nadler and Tushman in Jick (1993), p. 234.

Developing a Shared Vision

> If you don't know where you're going, any road will take you there.

Diagnosing the problem and creating a sense of organizational urgency creates enormous potential for change. All of this is for naught if the energy is not channeled productively toward ways that create the desired changes. One of the most powerful ways of channeling these energies is to develop and articulate a shared vision. This vision should be a clear, well understood picture of what the organization will look like after the change has been implemented and is successful. [18] A vision clarifies the direction in which an organization needs to move. It provides a common end toward which all of today's actions will eventually merge.

> A vision provides a description and understanding of the larger goal which people can keep in mind while concentrating on concrete daily activities. Without an articulated vision, changes launched by a manager can seem arbitrary or whimsical, and are therefore mistrusted or resisted. [19]

To be effective, it must be more than just symbolic. The vision must be tangible. It must provide direction to everyone in the organization. It must be energizing and achievable over the long term. Above all, however, the vision must be tangible enough that employees can see how doing their small task differently will help the organization achieve the vision. Many visions fail because they serve only as flowery words on expensive paper. Effective visions communicate what is important to individuals and help them understand how they contribute to making the organization a success. [20]

. . . the vision must be tangible enough that employees can see how doing their small task differently will help the organization achieve the vision.

Visions are developed for a number of different purposes. They are directional, helping the organization visualize its future or reorientation (change in anticipation of future events). They are symbolic, providing a point for rallying and identification. They are educational, helping individuals to understand the events around them by answering the questions brought out by the diagnoses accomplished in step 1. Finally, they are energizing. [21] Good visions can be described as: [22]

- Clear, concise, easily understandable.
- Memorable.
- Exciting and inspiring.
- Challenging.

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[18] Nadler and Tushman in Jick (1993), p. 231.

[19] Kanter, Stein and Jick, p. 509.

[20] At British Airways a critical ingredient in the success of the overall change effort was the vision of Sir Colin Marshall, the CEO. The clarity of his understanding that the company's culture needed to be changed in order to carry out the vision and his strong leadership of that change effort were instrumental in its success.

[21] Nadler and Tushman in Jick (1993), p. 232.

[22] Todd D. Jick, "The Vision Thing," Harvard Business School Case N9-490-019 (Cambridge, MA: Harvard Business School, 1989) in Todd D. Jick, *Managing Change* (Homewood, IL: Irwin, 1993), p. 143.

- Excellence-centered.
- Stable, but flexible.
- Implementable and tangible.

Change expert Todd Jick writes that visions can form in several ways.[23] The first is *leader*-developed. In this case the leader is a visionary who plays a central and powerful role in developing the vision for the organization. The second way visions can form is with *leader-senior team* visioning. This is a collaborative process by senior management.[24] Third, visions can form by *bottom-up or middle-up* involvement. In this case the people involved with writing the vision are "vision influencers" rather than "vision drivers." These people, who are lower in the hierarchy, can gather ideas and information and use it to influence key decision makers. "Influencers must be dogged and dedicated, willing to make their cases as strongly as possible, personally modeling the behaviors they are promoting, and being flexible and politically astute wherever needed."[25] The basis of this approach is that those closest to the problems are best able to see what is needed.

> They create a vision of the potential future state of the transformed organization, they take advantage of every opportunity to discuss their vision, and they tenaciously support processes that facilitate the implementation of the vision while discouraging processes that inhibit it.[26]

Change expert John Kotter says, "In every successful transformation effort that I have seen, the guiding coalition develops a picture of the future that is relatively easy to communicate and appeals to customers, stockholders, and employees."[27] *Rewarding, Organizing and Managing People for the 21st Century: Time for a Strategic Approach – Part II: A Strategic Approach* outlines a vision (developed from the perspective of "vision influencers") for human resource management in the 21st century. As part of a change process to implement strategic human resource management in the uniformed services, a senior leadership coalition should further develop and adopt such a vision.

Phase 2 – Developing Support

Once a vision has been developed, the next phase is to develop support for the vision by building a coalition.

> Major renewal programs start with just one or two people. In cases of successful transformation efforts, the leadership coalition grows over time. But whenever some minimum mass is not achieved early in the effort, nothing much worthwhile happens.[28]

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[23] Jick in Jick (1993), p. 143.
[24] Both the United States Marines Corps and the United States Air Force recently engaged in such an activity.
[25] Jick in Jick (1993), p. 147.
[26] Jick in Jick (1993), p. 147.
[27] Kotter (March-April 1995), p. 63.
[28] Kotter (March-April 1995), p. 62.

Coalition Building: Assembling Backers and Supporters

As emphasized above, a senior team, or a guiding coalition, is important in implementing organizational change. The magnitude or level of the change will, in part, determine who needs to be involved in this step.

Similarly, where the impetus to change originates is important. In most of the organizations discussed earlier, the impetus came from the top of the organization. In other words, the organization's leader saw trouble on the horizon, developed a response, then marshaled support for an appropriate course of action. It is also possible for the impetus to change to originate lower in the organization. It then becomes the responsibility of those with the ideas for change to convince the leadership that their ideas are worth following.

Kanter *et al.* [29] define action roles in the change process. These roles define, in general, the contributions of various individuals. The *change strategists* are the people who establish the direction of the change effort. They promulgate the overall guidance for change. The *change implementors* are functional experts who can tailor the internal systems of the organization to the new vision the strategists have developed. The *change recipients* are those directly affected by the change; their level of participation in the planning of the change is often limited by those above them in the organizational hierarchy.

The first step in developing support for the change is to convince those with the power and knowledge to be change strategists (the senior team) that a change is needed and the vision for change is correct.

The first step in developing support for the change is to convince those with the power and knowledge to be change strategists (the senior team) that a change is needed and the vision for change is correct. In some organizations, this is done by the leader who developed a vision independently. In other organizations where the power is more widely distributed – the uniformed services is a good example – the change strategists should be involved in the process of vision development. They could start with environmental data and arrive at a vision more or less independently; or others could develop a "rough" vision, relying on the change strategists to refine it. Their participation is necessary to get buy-in. The process may consist of retreats, site visits, forums with leaders of other organizations, facilitated dialogues or other comparable activities. Once senior leaders are truly convinced, adapting institutional processes and requirements to reinforce the change effort should be fairly straightforward.

After the change strategists have adopted the vision, their task becomes convincing the change implementors to institutionalize change at the operational level. Commitment at the operational level requires a broader base of support. It requires the support of the change implementors as well as the change recipients. Again, the degree to which change recipients will be involved will depend on the organization and the magnitude of the change, but evidence suggests [30] that more participation will lead to greater buy-in. Creating a coalition of representatives from different levels of the organization as one way to get the necessary involvement. [31] This group need not be involved in developing an overall vision, but they should be in step with the vision the leadership promulgates and share a commitment to the change. This group will be in charge of ensuring the more specific operational aspects of the change plan are aligned with the vision and operating properly.

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[29] Kanter, Stein and Jick, p. 16.

[30] Kanter, Stein and Jick, pp. 382, 384.

[31] Kotter (March-April 1995), pp. 61-62.

The makeup of the coalition will depend on the organization. Large organizations may form a change task force or commission. [32] The coalition may charter other teams to carry out various aspects of the change. Although the coalition is made up of change implementors, many implementors are not included in the initial coalition of supporters because of communication problems stemming from having too large a group. This, however, does not absolve the coalition from communicating with the other change implementors and recipients.

The members of the coalition can be selected based on many criteria including their perceived willingness to receive new ideas, their ability to be creative and be innovative, their ability to communicate successfully with others in the organization, how respected they are in the organization, etc. They can be convinced in many of the same ways that senior leaders were (namely, forums, dialogues, retreats, etc.). Once they are convinced, the process of operationalizing the change in the organization can begin.

In terms of adopting strategic human resource management institution-wide, the coalition needs to be more diverse than for many other changes. Of course, senior civilian and uniformed human resource leaders must be the core. In addition, because of the intimate link with strategy, the most senior department and service leadership (including the Secretary of Defense) must be active participants. Office of Management and Budget will have an interest and play a key role in supporting adoption. Although the uniformed services *could* adopt strategic human resource management without involving the Congress, the effectiveness of the process requires active congressional participation – as one of the main "customers."

In terms of adopting strategic human resource management institution-wide, the coalition needs to be more diverse than for many other changes.

Phase 3 – Developing a Change Plan

When the vision has been solidified and the coalition formed, the next phase consists of developing a plan to make the vision a reality. These steps are important. First, a plan with milestones must be outlined so that everyone knows what must be done and who is responsible. Second, a communication plan is critical. Not only is the message important, but how it is delivered is critical. Systems and structures can be as instumental in communicating the vision as the normal communication pipelines.

Determining a Course of Action and Milestones for the Change

First, the coalition must investigate alternatives for action and select those with the most potential. In this exploration, all systems must be considered as well as the organization's relationship to the environment. The result is a plan that includes a set of milestones and metrics to monitor progress.

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[32] The Defense Mapping Agency (now named the National Imaging and Mapping Agency) is an example of an organization that formed a change task force, followed in turn by implementation and reinvention teams.

The responsibility for deciding on a course of action can be addressed in many ways. The coalition may decide to handle the specifics on its own or create new task forces to work on particularly important issues such as rewards or information systems. [33] When the Defense Mapping Agency recently made large-scale changes, the director tasked a Reinvention Task Force with overseeing the course of change. The task force delegated responsibility to implementation teams and reengineering teams. [34] In fact, by encouraging more participation, these task forces can also be an effective way of generating widespread involvement in and enthusiasm for the change. Whether responsibility is centralized or decentralized, clarity about who is responsible for what aspect of the change and where various activities report can help build commitment and avoid confusion.

With the responsibility for change must come ways of monitoring progress.

With the responsibility for change must come ways of monitoring progress. In other words, the plan must ensure proper measurement so that the organization knows if the change is being implemented properly. Planners are responsible for choosing the initial metrics by which success of the change process is determined. As the implementation process begins, review of these metrics is necessary to ensure the metrics are useful and are being used effectively.

Developing a Plan for Communication

Another important aspect of the change plan is communication. The leaders need to recognize that individuals require time to adjust to the changes. Communication is key. Before the change event, rumors must be aggressively addressed. [35] The best way to deal with rumors is by well-informed and straight-forward communication. Even incomplete information can be reassuring to people. For any substantial progress to be made, communication must take place at all levels of the organization. The leader must communicate the vision effectively to the strategists, and they must, in turn, communicate guidance effectively to the rest of the coalition. Communication does not end there, however. Instead it becomes even more critical. As described earlier, many members will be extremely resistant to any change. Apart from terminating all of the resistors, effective communication is the only alternative. In fact, a survey on restructuring done by the Wyatt Company in 1993 asked CEOs, “If you could go back and change one thing, what would it be?” The most frequent answer: “The way I communicated with my employees.” [36] Kotter lists as one of his top eight mistakes made in organizational change, “undercommunicating the vision by a factor of ten.” [37]

The communication plan must include not only the message, but the means to get it across. The announcement of the change must be well managed. [38] How individuals find out about the change affects how they perceive the event. Being informed either personally or as part of a larger audience generates feelings of inclusion and positive reactions. However, hearing the announcement second-hand fuels resistance and speculation. Obviously, face-to-face communication is the most effective form. Employees will be more affected by the leader of an organization coming to a site for a visit than they will by a video. While hearing the message from the leader of the organization is valuable, face-to-face communication between member and supervisor is equally, if not more, important. One reason for this is the inherent distrust the front-line employees have for upper-level management. A 1994 study by the Council of Communication Management showed that 64 percent of employees believe management is often lying. Because the majority don't trust senior management, hearing the message directly from their own supervisor, one-on-one, face-to-face will have the greatest impact. [39] The Army used "chain teaching" effectively during the drawdown; this message was communicated by the next higher level in the hierarchy from the top down.

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[33] Kanter, Stein and Jick, p. 512.

[34] Defense Mapping Agency, *Reinvention Concepts for the Defense Mapping Agency* (Fairfax, VA: DMA, March 1, 1995), pp. xvii-xxvii.

[35] Isabella, p. 24.

[36] T. J. Larkin and Sandar Larkin, “Reaching and Changing Frontline Employees,” *Harvard Business Review,* Vol. 74, No. 3 (May-June 1996), p. 95.

[37] Kotter (March-April 1995), pp. 63-64.

[38] Isabella, p. 26.

Although face-to-face communication is the most effective, communicating through other means is useful, as well. Kotter recommends, "[U]se every possible channel, especially those that are being wasted on nonessential information." [40] These channels can vary widely depending on the organization. Videos and company newsletters are ways the message can be disseminated to the general population of the organization, and these are good reinforcement for the messages being sent. However, there are many other ways to get the message across.

Organizational systems can communicate and reinforce the change, too. As this report consistently emphasizes, reward systems, appraisal systems and training systems can be extremely useful tools in showing employees in a very down-to-earth way what the organization expects and wants to be. When an individual's pay, promotion and training opportunities are based on the new values of the organization, the message is clear.

When an individual's pay, promotion and training opportunities are based on the new values of the organization, the message is clear.

The best way to get the message across is to have early successes. Once the change is rolling and making positive progress, even the staunchest critics will eventually be silenced. As Tom Coghlan, Director of Planning and Analysis for Defense Mapping Agency, put it [41] "Every organization has its critics. You can't avoid them. All I hope to do is embarrass them."

Phase 4 – Implementing the Change

Once a plan for change has been developed. The fourth and final phase is to execute the change plan.

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[39] Larkin and Larkin, pp. 96-97.

[40] Kotter (March-April 1995), p. 64.

[41] Interview with 8th QRMC members, May 28, 1996.

Seek Local Participation and Feedback

Local participation may be important at the beginning of the process, especially if coalition building requires support from all levels of the organization, or it could be reserved for later in the process when implementation of the change is beginning. In adopting the strategic approach to human resource management, this step may not be necessary initially, when the change is confined mainly to the higher levels of the organization. However, as noted above, one of the fundamental themes of strategic human resource management is the active involvement of leaders outside of the human resource management community in the design and operation of the human resource management system. Consequently, although adoption of a strategic approach is mostly focused at the most senior levels, the implementation of a strategic approach requires local participation.

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The implementation plan should clearly state what is fixed or given and what is open for local variation. [42] Lower levels should be encouraged to join the implementation process. There are several reasons why local participation is beneficial to the entire change process; namely, it allows:

- Understanding.
- Buy-in.
- Appropriate context.
- Improvement through experiences.
- Feedback.

Understanding

One of the best ways to communicate the meaning of a change is to involve those affected in developing it. They come to understand it better because they are actively involved in shaping it. They must understand its purpose and learn to appreciate the possible consequences of the change as well.

Buy-in

Ensuring that those affected by the change participate in relevant decisions and implementation actions will allow them to take ownership of the change. [43] By participating in the change, individuals better understand why the change is occurring and how it will affect the organization and themselves. In a sense, this increased understanding takes the fear of the unknown away and lowers resistance. It can change resistors into supporters because now the change is something they have contributed to and believe in and no longer just something inflicted on them. Allowing participation in the change process provides a forum for expressing concerns and having those concerns answered.

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[42] Kanter, Stein and Jick, p. 512.
[43] Defense Mapping Agency, p. 83.

Appropriate Context

Kotter and Heskett suggest giving middle managers as much autonomy as possible to create their own change, [44] allowing implementation to take the specific concerns and circumstances of the organization into consideration. In essence, the implementation can be tailored to each organization's needs.

Improvement Through Experiences

> It is impossible to plan every step or every detail of an implementation effort from the top. . . . Even if it were possible, it would be extremely costly and thus wasteful. Furthermore, every change no matter how well thought through in advance is also an experiment in which there is a chance to learn from the experience of doing it and thus even to improve on the initial plan. The implementation plan will benefit from leaving some local options or control over the details of the change. [45]

Even the best plans can be improved. To take advantage of or test better ideas, it is prudent to provide the ability to experiment. This flexibility also allows for unforeseen circumstances. Small adaptations could significantly improve the overall plan.

Feedback

Many large-scale changes are implemented incrementally. This is often a function of the sheer magnitude of the change; the resources needed are too great to tackle the whole change at one time. Phased implementation allows for feedback that can pinpoint gaps between the plan and what it takes to actually make the change happen. This feedback can be incorporated into the change plan and improve the process for the rest of the organization. According to Kanter and Jick, significant organizational change can lead to disorder and confusion. No matter how good the communication, leaders and employees are uncertain about what should be done with the new rules and guidance. Working through this confusion at the local level results in ideas, solutions, alternatives and learning. The change team should learn and redirect efforts based on the results and success of the local implementation. [46]

The form of this step depends heavily on what the large-scale change is. Major changes to the human resource management system to align policies and practices with strategy will often require pilot programs. This approach is one example of how this step can be carried out. As with all steps in the change process, this step must be adapted to fit the particular circumstances.

Sometimes a change is announced and members of the organization resist just to see if the management really means it or not.

Support Change with Human Resource Management

Sometimes a change is announced and members of the organization resist just to see if the management really means it or not. Members wait for a signal that says the organization really is going to stick with the change. Effective ways to signal change are implementing a new reward system, finding a champion, recognizing new achievements or offering special incentives. [47]

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[44] Kotter and Heskett, p. 146.
[45] Kanter, Stein and Jick, p. 512.
[46] Kanter, Stein and Jick, pp. 510-512.

One of the most effective ways of shaping individuals' behaviors is through the policies and practices of the human resource management system. The following discussion focuses on those that contribute most to implementing change.

Rewarding

A successful driver of change is rewarding and recognizing behaviors and results consistent with the change and discouraging behavior and results not consistent with the change. [48]

Another effective way to send messages to individuals is by using a new reward system.

> [I]f you talk about change and then leave the reward and recognition system exactly the same, nothing changes. And for good reason: people quite rationally say, "I hear what he is saying, but it's not what I get paid to do or what I get promoted for." . . . Therefore, if you are trying to change the way you run a company, one of the most visible things you have to change is the way you compensate, the way you reward and recognize people. [49]

Changing the reward system is one of the most often mentioned tasks within the change process.

Because the previous reward system was designed to support the old objectives, it can be an obstacle to the successful accomplishment of the new objectives. For example, in cases where team performance is critical to successful change but only individual job performance is rewarded, team members will tend to focus on individual efforts, perhaps subconsciously.

Changing the reward system is one of the most often mentioned tasks within the change process:

- Perry Smith, commenting on strategic planning in the military, noted that incentives must be provided if innovation is to be maximized; because conceptual, long-term thinking is not rewarded and is, therefore, risky. [50]
- Kotter recommends involving employees in change by recognizing and rewarding employees who demonstrate the desired behaviors. [51] He also advocates hiring, promoting, and developing employees who can implement the vision to produce still more change. [52]

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[47] Kanter, Stein and Jick, pp. 217, 513.

[48] Defense Mapping Agency, p. 83.

[49] Howard, p. 116.

[50] Perry M. Smith, "Long Range Planning: A National Necessity," in Perry M. Smith, Jerrold P. Allen, John H. Stewart II, and F. Douglas Whitehouse, *Creating Strategic Vision: Long-Range Planning for National Security* (Washington, DC: National Defense University Press, 1987), pp. 21-22.

[51] Kotter (March-April 1995), p. 65.

[52] Kotter (March-April 1995), p. 61.

Managing Performance

> Introduce a new performance management system (the main change driver) focusing on goals, measures, and rewards necessary for the realignment of the organization. . . . Use cascading goals, measurements, and rewards to drive the . . . objectives to the lowest levels of the organization while creating training programs to introduce new skills and competencies; initiate technology, process, and facilities restructuring and team development. [53]

One of the most effective places to implement change is in the performance management system. Changing how people are evaluated sends a strong signal about what is important to the organization. This helps people focus their energies on the organization's priorities. This focusing, in itself, may help implement change.

In addition, performance management provides the information needed to institute other human resource management changes to assist in the change process, particularly related to rewards and advancement within the organization.

Training and Developing

Training and education are critical to a change process in two ways. First, they can help individuals understand the change and why it is happening. Resistance to change will be alleviated if, by understanding why the change is occurring, members can come to agree that the change is necessary and important.

Second, training and education can teach the needed new skills and competencies required by the change. Changes to the compensation and performance management systems will have no effect if individuals are not capable of performing the required new roles and tasks. Training gives the opportunity to build the required new skills and enables employees to participate effectively in the change and accept new roles in the organization. [54]

Recruiting, Assigning, Promoting

The idea of "gatekeeping" deserves special mention. Berger and Sikora describe this idea as "those processes involved in recruitment, promotion, and termination . . . of the entrances, elevators, and exits to the institution." [55] For example, "who is promoted" sends a message about what it takes to be successful. If the organization selects individuals who follow the old way of doing business, a strong message will be sent: The change is not for real! Conversely, if the organization rewards those who follow the new way of doing business by assigning them to more influential positions, a different, equally strong message will be sent.

For the new way of business to permanently take hold, a vast majority must believe or conform to the new way of business.

For the new way of business to permanently take hold, a vast majority must believe or conform to the new way of business. That means that many people must change. But some will not, and if possible, they should be removed from the organization or placed in positions that will not hamper the change process. Also, change can be accelerated if those entering the organization are amenable to the new way of doing business. Recruiting can help bring in people who accept the new ideas.

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[53] Berger and Sikora, p. 19.
[54] Defense Mapping Agency, p. 84.
[55] Berger and Sikora, p. 21.

In summary, adopting strategic human resource management in the department will itself require changes to the human resource policies and practices as it affects those involved in that process. *Its importance is signaled by the level of its proponents in the department, by who is assigned to the positions responsible for it, by the rigor of the training and developmental assignments to prepare for it, by the rewards for engaging in it and, perhaps most importantly, by the degree to which involvement in it is viewed as an indication of potential within the department.*

. . . adopting strategic human resource management in the department will itself require changes to the human resource policies and practices as it affects those involved in that process.

Support Change with Systems and Processes

Just as compensation (or training, etc.) alone can not change behavior, human resource management is limited if other systems and processes create obstacles to acting in the new way. Therefore, many other systems, such as information systems, budget systems and processes, must also align with the strategic change and with the human resource management system. For example, information systems are important, because without the needed information to act, a person is unable to act in the new way.

> It has long been recognized that organizations have great power to shape behavior, not so much by forcing it as by encouraging it. Organizations always make some things easier and some things harder, thus making the former more likely and the latter less likely. This is the work not simply of "culture" – something in people's heads – but rather of the formal aspects of the organization, such as its distribution of roles and responsibilities, people's authority to commit resources, existing budget procedures, the physical or geographical arrangement of its space and facilities, differences in information access and availability, and reward and recognition systems. This sort of "character" is rooted in the organization's structure, systems, and culture – elements that embody the momentum of the organization by "acting on" its members, thereby enabling the organization to maintain a recognizable presence over time. [56]

Because "there are frequently more factors reinforcing a pattern of behavior than are necessary . . . changing those patterns will require more than a modification of a single element of the environment." [57] Therefore, Nadler and Tushman advocate using "as many different devices to change behavior as possible, incorporating intentionally redundant activities." [58] These include standards and measures of performance, rewards and incentives, planning processes, budgeting and resource allocation methods, and information systems. Other authors similarly suggest "empowering others to act on the vision [by] getting rid of obstacles to change, changing systems or structures that seriously undermine the vision [and] encouraging risk-taking and nontraditional ideas, activities, and actions."[59]

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[56] Kanter, Stein and Jick, p. 11.
[57] Nadler and Tushman in Jick (1993), p. 237.
[58] Nadler and Tushman in Jick (1993), p. 237.

Monitor Progress and Revise Appropriately

As the change is implemented, the organization must measure its progress toward achieving the vision. Metrics must measure the things important to the organization – those results that show progress toward achieving the vision, that capture organizational performance and that indicate if the change process itself is taking hold. The measures should evaluate the change in concrete terms.[60] Too often organizations measure the easily measured as opposed to what they need to measure. Early in the change process, as the change plan is built, leaders should demand metrics that measure improvements achieved as a result of the change, identify the data to be used to track and evaluate those improvements and support the means to collect and analyze that data.[61]

By using effective measures, leaders can determine if the change is on track and being implemented properly. Two kinds of measurement can be useful: *results measures* show accomplishment of the goals of implementation, and *process measures* show whether the new procedures and systems are working correctly as intended.[62] Data can be collected via surveys, focus groups, consultant interviews or managers' reports.

Successes show that the change is possible and worthwhile.

Effective measures provide evidence of success that leaders can use to build momentum for the change and decrease resistance. Successes show that the change is possible and worthwhile. Not all changes will proceed as planned, and even the best strategies may result in unanticipated and less than desirable outcomes. Rather than ignore failures, leaders should openly acknowledge and address them.

Evaluation of the change should be continuous. Tuning will be necessary to refine the organizational change to match the vision and adjust to minor internal or external environmental changes.

A dynamic strategic human resource management process will not approach the task in the same manner each time it is employed, but rather will tailor its tasks to the strategic needs of the time.

Finally, following through on change activities is important. Change is a continuous process, and new plans and programs must continue to be monitored and revised as necessary to accommodate new and rapidly changing environments.[63] Measurement can also signal the need to restart the entire change process for a new organizational change. If evaluations of major changes in the environment force reconsideration of strategic direction, leaders could conclude that another new, large-scale change must be initiated.[64] Because each change cycle often takes years to complete and institute, successive change efforts are typically spread fairly far apart and are built upon the previous change. Kotter [65] states that “declaring victory too soon” kills momentum and can be one of the most powerful forces in preventing long-term transformation.

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[59] Kotter (March-April 1995), p. 61.

[60] Kanter, Stein and Jick, p. 513.

[61] Defense Mapping Agency, p. 83.

[62] Kanter, Stein and Jick, p. 513.

[63] A major change effort conducted in the late 1980s at the Dutch Phillips Electronics company did not succeed because two successive CEOs failed to "[drive] . . . the process far enough to alter employees' perceptions."

[64] Will McWhinney, "Meta-Praxis: A Framework for Making Complex Changes," in Allan M. Mohrman, Jr., Susan Albers Mohrman, Gerald E. Ledford, Jr., Thomas G. Cummings, Edward E. Lawler III and Associates, *Large-Scale Organizational Change* (San Francisco, CA: Jossey-Bass Publishers, 1991), pp. 191-192.

In the case of adopting strategic human resource management, the process can be reevaluated each time it is used. The success of the decisions made during the process should be reviewed, and lessons should be drawn from the successes and failures. A dynamic strategic human resource management process will not approach the task in the same manner each time it is employed, but rather will tailor its tasks to the strategic needs of the time. This will require a unique way of monitoring progress – one based on how well the process and its participants are learning and using that learning to further improve the effectiveness of the uniformed services and the process itself.

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[65] Kotter (March-April 1995), p. 66.

CHAPTER 5
IMPLEMENTING STRATEGIC HUMAN RESOURCE MANAGEMENT

Currently, the uniformed services have no institutionalized process for systematic examination of fundamental human resource management issues, nor for translating the results of such an examination into a well-articulated human resource management strategy using an approach such as that recommended in this report.[1] At the same time, the uniformed services face continuing demands for improved performance while maintaining accountability.[2] This chapter recommends a decision-making body and process for institutionalizing a strategic approach to human resource management in the Department of Defense. The recommendations are based on two existing prototypes that help organizations set strategic direction: the *defense acquisition process* in place within Department of Defense today, and the concept of a *board of directors* in widespread use throughout the public and private sectors.

The new decision-making body and process, as presented here, will provide a formal structure for raising fundamental strategic issues concerning people.

As noted throughout the preceeding chapters, both the implementation of a strategic approach to human resource management and the application of that approach to specific parts of the department involve fundamental change – and the consequent resistance to change. In that context, these recommendations are also intended, in part, to help overcome this resistance.

The new decision-making body and process, as presented here, will provide a *formal structure* for raising fundamental strategic issues concerning people. The structure is needed:

- To develop and monitor a human resource management strategy for the uniformed services.
- To incorporate this strategy fully into the existing planning and programming system of the Department of Defense.
- To assure senior leadership and the Congress that proposed changes to the human resource management system are aligned with the strategic intent of the department and effectively integrated with other functions (financial, information systems, etc.) of the uniformed services.
- To place the human resource management community "at the table" with senior leadership in formulating strategy for the 21st century.

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[1] Currently human resource planning by the services is primarily concerned with force structure, which includes determining the number of people, needed skills and training. In other words, the "people" side of the planning process has been formulated as a manpower and training issue.

[2] For example, the reduction in the number of people and resources in recent years, combined with the emergence of new – or expanded – missions, has required the uniformed services to reorganize and reengineer processes to accomplish their required tasks. Initiatives associated with Performance-Based Organizations and the National Performance Review are other manifestations of these demands.

Implementing the recommendations elaborated in this chapter positions the Under Secretary of Defense for Personnel and Readiness and the human resource management community, generally, to systematically examine, for the first time, fundamental human resource management issues. The recommendations will also help build the coalition needed to make fundamental changes in the human resource management system required to secure significant improvements in organizational performance.

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Two Prototypes

Two prototypes served as the basis for the recommendations in this chapter: the defense acquisition process and a board of directors.

The Acquisition Process

The recommendations of the 1986 Presidential Commission on Defense Acquisition (the Packard Commission) directed the acquisition community in the Department of Defense to build a process and structure for presenting and resolving acquisition management issues. [3] It serves as a pattern for developing a strategic decision-making process for the department's human resource management community.

According to the DoD directive, "[t]he primary objective of the defense acquisition system is to acquire quality products that satisfy the needs of the operational user with measurable improvements to mission accomplishment, in a timely manner, at a fair and reasonable price." [4] In most cases, an acquisition program is initiated in response to a military threat, although in some cases, "economic benefits, new technological opportunities, or other considerations may cause new programs to be initiated." [5]

A defense acquisition program usually begins with an identified operational threat that can be remedied by a new weapon system or modification to an existing system. The Under Secretary of Defense for Acquisition and Technology monitors the progress of the acquisition via the Defense Acquisition Board and a milestone process called the "acquisition management system." This system consists of milestones beginning with the exploration of alternative concepts and continuing through the development, production, deployment, support and disposal of a weapon system. In preparation for and during the meetings of the Defense Acquisition Board, the operational and acquisition communities work together to make strategic decisions on how best to solve the identified mission need.

The acquisition decision-making process contains three decision support systems.

Acquisition Decision Support Systems

Acquisition policy is "intended to forge a close and effective interface among the Department's three principal decision support systems: (1) the requirements generation system; (2) the acquisition management system; and (3) the planning, programming and budgeting system." [6] All three systems are intended to work together to assist the Secretary of Defense, the Under Secretary of Defense for Acquisition and Technology [USD(A&T)] and other senior officials in making critical, strategic decisions, allowing them to plan for the future, allocate resources to solve strategic issues and monitor the activity that follows their decision making. [7] Underlying these three related systems is a structure composed of the Defense Acquisition Board and the Joint Requirements Oversight Council.

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[3] President's Blue Ribbon Commission on Defense Management, *A Quest For Excellence: Final Report to the President* (Washington, DC: President's Blue Ribbon Commission on Defense Management, 1986).

[4] U.S. Department of Defense, *DoD Directive 5000.1, Defense Acquisition* (Washington, DC: Department of Defense, March 15, 1996), p. 3.

[5] U.S. Department of Defense, *DoD Regulation 5000.2-R, Mandatory Procedures for Major Defense Acquisition Programs (MDAPs) and Major Automated Information System (MAIS) Acquisition Programs* (Washington, DC: Department of Defense, March 15, 1996), Part 2, p. 1.

Requirements generation is an ongoing process of assessing the capabilities of the current force structure to meet identified, documented and validated mission needs. [8] When a mismatch is found between current force structure and the future threat, "non-materiel" options are explored, such as training or changes to doctrine and tactics. If these options are not feasible, then "materiel" solutions (namely, a modification to a current weapon system or a new weapon system) are required. These are issued as Mission Need Statements (MNSs), generated by the Army Training and Doctrine Command, the Navy's Fleet CINCs and OPNAV staff, the Marine Corps Warfighting Center and the Air Force's major operating commands. Mission Need Statements for "major" [9] defense acquisition programs go to the Joint Requirements Oversight Council for approval and validation; [10] then to the Under Secretary of Defense for Acquisition and Technology, who decides, as chairman of the Defense Acquisition Board, whether to initiate "concept direction" studies. [11] Figure 3 illustrates this process.

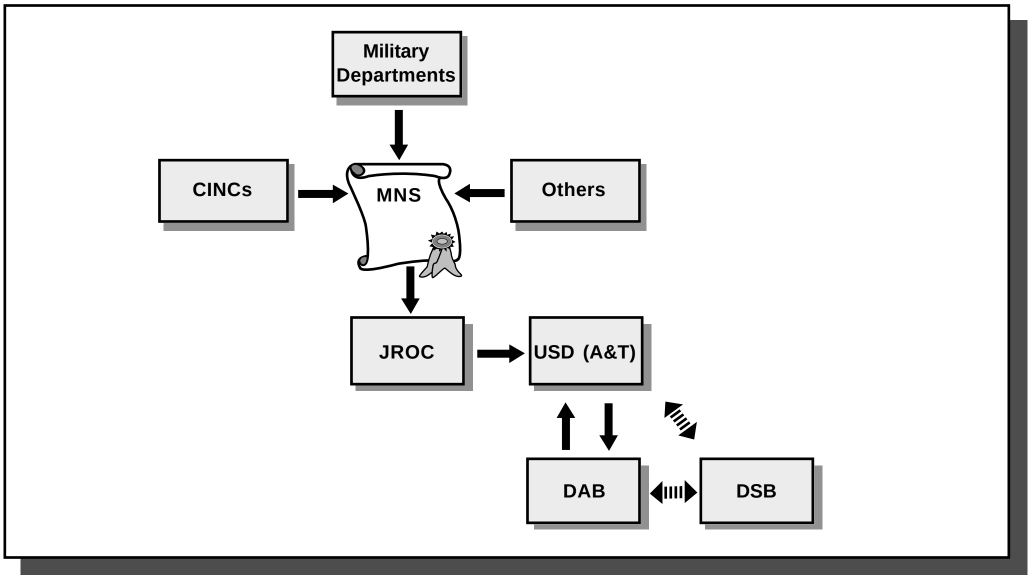

Figure 3 – Requirements Generation System

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[6] U.S. Department of Defense, *DoD Directive 5000.1*, p. 4.
[7] U.S. Department of Defense, *DoD Directive 5000.1*, p. 4.
[8] U.S. Department of Defense, *DoD Directive 5000.2-R*, Part 1, p. 3.
[9] The designation, "major," depends on the levels of research and development or procurement expenditure on the weapon system, as defined in DoDD 5000.1.
[10] Since 1995, the role of the Joint Requirements Oversight Council has expanded from just review and validation of requirements for future military capability to include assisting the Chairman of the Joint Chiefs of Staff in assessing current warfighting capabilities and evaluating the match between program recommendations and budget proposals with military priorities.
[11] A Joint Requirements Oversight Council and Defense Acquisition Board-like structure and process are found *within* the services for Mission Need Statement of lesser value or importance.

The requirement then moves into the **acquisition management system**, which consists of milestones, beginning with the exploration of alternative concepts and continues through developing, producing, deploying, supporting and disposing of a system. Defense systems often take 12-15 years from the issuing of a Mission Need Statement to the fielding of a system. [12] Funding for concept studies that occur in Phase 0 is taken from various sources including the services' science and research labs. It is not until Phase I that service funding of the program begins through the planning, programming and budgeting system; and this step marks program initiation. [13] The progress of the weapon system acquisition is monitored via milestone reviews that are required before the acquisition process can continue into the next phase. Figure 4 illustrates the milestone process.

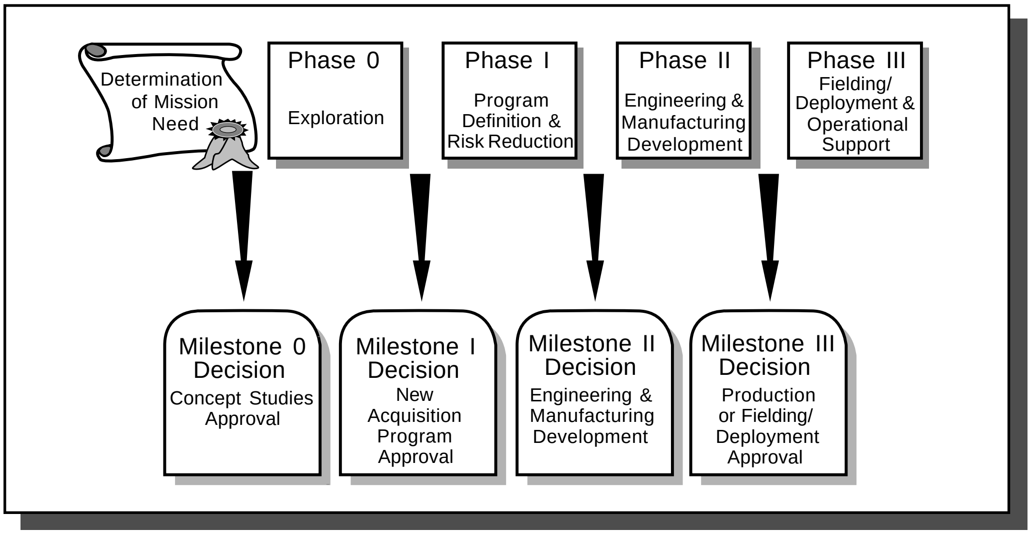
Determination of Mission Need
Phase 0
Exploration
Phase I
Program Definition & Risk Reduction
Phase II
Engineering & Manufacturing Development
Phase III
Fielding/ Deployment & Operational Support
Milestone 0 Decision
Concept Studies Approval
Milestone I Decision
New Acquisition Program Approval
Milestone II Decision
Engineering & Manufacturing Development
Milestone III Decision
Production or Fielding/ Deployment Approval

Figure 4 – Acquisition Management Milestone Process

Funding for a major weapon system occurs through the **planning, programming and budgeting system (PPBS).** The planning phase, the responsibility of the Under Secretary of Defense for Policy [USD(P)], culminates with the publication of the Defense Planning Guidance (DPG). The programming phase, managed by the Director, Program Analysis and Evaluation, culminates with submission of a Program Objectives Memorandum (POM). A Program Objectives Memorandum is a service's or defense agency's forecasted need for resources to accomplish its mission. The budgeting phase, the responsibility of the DoD Comptroller, culminates in Budget Estimate Submissions from the services and defense agencies, which are consolidated into the Department of Defense portion of the President's budget. The Defense Resources Board (DRB), chaired by the Deputy Secretary of Defense, is the decision body that resolves major budget needs. As a member of the Defense Resources Board, the Under Secretary of Defense for Acquisition and Technology is able to exert considerable influence over the planning, programming and budgeting process.

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[12] Joseph H. Schmoll, *Introduction to Defense Acquisition Management* (Ft. Belvoir, VA: DSMC Press, March 1993), p. 5.

[13] This approval process has no direct role in the PPBS process, but informs the program office that prepares the budget submission.

The Defense Acquisition Board (DAB)

The Defense Acquisition Board was established to make “an informed trade-off between user requirements, on one hand, and schedule and cost, on the other” – that is, trade-offs between operational requirements, costs and schedules – and to take a strategic perspective, challenging user requirements. [14] Members of the Defense Acquisition Board are:

- Under Secretary of Defense (Acquisition and Technology) (Chair).
- Vice Chairman, Joint Chiefs of Staff (Vice Chair).
- Principal Deputy Under Secretary of Defense (Acquisition and Technology).
- Under Secretary of Defense, Comptroller.
- Assistant Secretary of Defense (Strategy and Requirements).
- Director, Program Analysis and Evaluation.
- Director, Operational Test and Evaluation.
- Acquisition Executives of the Army, Navy and Air Force.
- Cognizant Overarching Integrated Product Team Leader.
- Cognizant Program Executive Officer and Program Manager.
- Defense Acquisition Board Executive Secretary. [15]

Through the Defense Acquisition Board, the operational and acquisition communities explore alternatives together, thus creating an integrated process for introducing new technology into the field. The process informs strategic decisions of the Under Secretary of Defense for Acquisition and Technology.

The Defense Acquisition Board interacts with the three principal decision support systems (requirements generation; acquisition management system; and planning, programming and budgeting system) at various points in the process. During **requirements generation**, following approval and validation of the Mission Need Statement by the Joint Requirements Oversight Council, the Under Secretary of Defense for Acquisition and Technology decides, as chairman of the Defense Acquisition Board, whether concept direction studies should be initiated (Milestone 0). Usually several concept studies are initiated in parallel and focus on defining and evaluating the feasibility of alternative ideas that resolve the mission need. Concept studies also lay out a basis for evaluating success or failure of the concept against predetermined performance metrics, so that the merits of early prototypes can be evaluated. [16]

The Defense Acquisition Board monitors the life-cycle process within the context of the **acquisition management system**. Typical issues discussed in a Defense Acquisition Board meeting include cost growth, schedule delays, technical threshold breaches, supportability issues, acquisition strategy, threat assessment, test and evaluation highlights, cooperative development/joint service concerns, manpower evaluation and operational effectiveness/suitability. [17] The Under Secretary of Defense for Acquisition and Technology, with the Defense Acquisition Board, approves a program to proceed through the milestones as phases are completed. The Joint Requirements Oversight Council, chaired by the Vice Chief of the Joint Chiefs of Staff, assists the Defense Acquisition Board through the milestone process by presenting the operational needs and validating performance goals and program baselines.

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[14] President’s Blue Ribbon Commission on Defense Management, p. 57.

[15] U.S. Department of Defense, *DoD Directive 5000.2-R*, Part 5, p. 1.

[16] U.S. Department of Defense, *DoD Directive 5000.2-R*, Part 1, p. 4.

The Defense Acquisition Board monitors the funding for the new weapon system acquisition through the planning, programming and budgeting system, which results in the Future Years Defense Program. The Defense Acquisition Board also discusses the best possible "acquisition strategy" [18] to implement the program along with alternative preferred strategies in case program funding changes. If the Under Secretary of Defense for Acquisition and Technology does not believe that the approved Future Years Defense Program represents appropriate funding, then the service commits to incorporate appropriate funding in the next Future Years Defense Program.

Board of Directors

The second prototype is a board of directors. Boards play crucial roles in other organizations. Most government agencies that provide public services, non-profit organizations and for-profit corporations have boards of governance, for several reasons. In the case of public and non-profit organizations, those who provide resources to the organization are often not the organization's direct customers; consequently, performance feedback is less direct than that which the market provides to corporations. A board of directors, therefore, can assume some of the functions of owners and the marketplace. [19] For any organization, the tripartite system (board, executive and staff) can provide a means of check and balance: "a board-executive relationship that resembles a council and mayor, legislature and governor, or even Congress and the president." [20] A board also provides an opportunity for shared wisdom, offering an organization knowledge, insight and personal contacts of a group of unusually able people who have widespread spheres of influence. [21] The Commission on Roles and Missions, though a temporary entity, is an example of how these roles can be fulfilled in the Department of Defense.

Generally, boards of directors can have three broad functions: [22] control, service and strategy. The *control* function involves monitoring managerial competence as well as overseeing resource allocation. [23] The second role, *service*, adds an external perspective where directors act as "boundary spanners" between the organization and a changing environment. [24] Third, and most important, is the *strategic role,* in which the directors guide the definition of the corporate mission and assist in developing, implementing and monitoring the organization's strategies. In this last capacity, a board provides its greatest value.

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[17] Schmoll, p. 19.

[18] "Acquisition strategy" is a term used in the acquisition community for the planning documents that serve as the roadmap of program execution from program start to deployment and logistical support. The goals of the strategy are to minimize the time and cost of satisfying an identified need.

[19] Regina E. Herzlinger, "Effective Oversight: A Guide for Nonprofit Directors," *Harvard Business Review*, Vol. 72, No. 4 (July-August 1994), p. 53.

[20] Cyril Orvin Houle, *Governing Boards: Their Nature and Nurture* (San Francisco, CA: Jossey-Bass Publishers, 1989), p. 16.

[21] Houle, p. 8.

[22] Shaker A. Zahra and John A. Pearce III, "Boards of Directors and Corporate Financial Performance: A Review and Integrative Model," *Journal of Management*, Vol. 15, No. 2 (1989), p. 303.

The New Human Resource Management Decision-making Process and Structure

To adopt a strategic approach to human resource management and, concurrently, to enhance the effectiveness of the Under Secretary of Defense for Personnel and Readiness and the human resource management function, generally, the following specific actions are recommended:

- Institutionalize a *formal board* – the Defense Human Resources Board (DHRB) – for raising and resolving fundamental strategic issues regarding the way human assets of the department can best meet its future needs. This board would be led by the Under Secretary of Defense for Personnel and Readiness and the Vice Chairman of the Joint Chiefs of Staff.
- Institutionalize a *civilian advisory group* – the Strategic Advisory Group for Human Resources (SAG-HR) – to the Defense Human Resources Board to support the human resource management leaders of the uniformed services and to advise the Secretary of Defense on the efficacy of the strategic human resource management process within the department. This group – corporate leaders, scholars, and former defense officials and military leaders – would consist of individuals with a vested interest in the future of human resource management.
- Institutionalize a *decision-making process* – a human resource management milestone process – that can direct, evaluate and monitor major changes to the human resource management system, role or processes, to support the Under Secretary of Defense for Personnel and Readiness and Defense Human Resources Board members.

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[23] In the context proposed here, however, this role would be limited to an advisory one; formal control would reside with the existing system within the department.

[24] Jeffrey Pfeffer, "Size and Composition of Corporate Boards of Directors: The Organization and Its Environment," *Administrative Science Quarterly,* Vol. 17, No. 2 (June 1972), p. 219.

Why Not Use the Unified Legislation and Budgeting Process?

Recently, the Under Secretary of Defense for Personnel and Readiness, in an attempt to strengthen the people side of the planning process, institutionalized a process called the Unified Legislation and Budgeting (ULB) process. [25]

This process was implemented to ensure consistency and direction in personnel policy within the uniformed services, but it focuses generally on near-term rather than strategic issues. As such, the process is tied to the programming and, especially, the budgeting stages of the planning, programming and budgeting process. Although it is particularly effective in prioritizing legislative proposals for changing individual parts of the human resource management system, the Unified Legislation and Budgeting process does not meet to address strategic issues, nor to look into the future and analyze the requirements of the organization, nor to plan for those changes. The Unified Legislation and Budgeting process is, generally, not viewed as a mechanism capable of providing fundamental strategic guidance to the Secretary of Defense for meeting the department's human resource needs for the future.

The Unified Legislation and Budgeting process is, generally, not viewed as a mechanism capable of providing fundamental strategic guidance to the Secretary of Defense . . .

A broader perspective is needed than what can be provided by the Unified Legislation and Budgeting process. The process serves an important – though not strategic – function today, and this role will be necessary in the future as well. A newly formed Defense Human Resources Board would create the strategic context within which the Unified Legislation and Budgeting process will continue to make necessary operational decisions. [26]

The Defense Human Resources Board

The Defense Human Resources Board proposed in this report would generally parallel the Defense Acquisition Board in scope and function. However, implementation of the Defense Human Resources Board will benefit from lessons learned from the evolution of the Defense Acquisition Board so as to avoid potential pitfalls. The Defense Human Resources Board would maintain an integrated human resource management perspective (compensation, personnel management, manpower, training, recruiting, etc.) to complement the existing planning and programming processes of

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[25] This process includes a joint forum for the services to discuss their desired programs and policies and provides a mechanism for the human resource management community to establish budget priorities and agree to legislative initiatives. Membership consists of:

- Under Secretary of Defense (Personnel and Readiness) (Chair).
- Under Secretary of Defense (Comptroller).
- Director, Program Analysis and Evaluation.
- Assistant Secretaries of Defense for Force Management Policy, Health Affairs, Reserve Affairs and Legislative Affairs.
- Assistant Secretaries for Manpower and Reserve Affairs of the Services.
- Deputy Chiefs of Staff for Personnel (or equivalent title) from the Army, Navy, Air Force, Marines and Coast Guard.
- Director for Manpower and Personnel, Joint Staff.
- Deputy Under Secretaries of Defense for Readiness and for Program Integration.
- Associate Director for National Security, Office of Management and Budget.

[26] The charter for the Defense Human Resources Board (and the Strategic Advisory Group) would be staffed using normal procedures before being established. The relationship between the Defense Human Resources Board (with its strategic role) and the Unified Legislation and Budgeting process (with its operational role) would be explicitly spelled out in that charter – with a particular focus on avoiding duplication and capitalizing on the advantages of each forum. A notional charter for the Defense Human Resources Board is at Appendix II.

The Defense Human Resources Board . . . would identify major changes in the strategic direction of the Department of Defense and the general shape of the human resource management system required to effect those changes.

> At Tenneco, we listened to the strategies of our operating unit managers, and then conducted major capital reviews (i.e., like the department's budget review). We woke up a lot of people when we asked managers, 'Why don't you have any money where your strategic thrust is?'
>
> *— Dana G. Mead*
> *Chairman and Chief Executive Officer*
> *Tenneco, Inc.* [27]

the Department of Defense and the existing service prerogatives. The Defense Human Resources Board, with the advice of the Strategic Advisory Group for Human Resources, would identify major changes in the strategic direction of the Department of Defense and the general shape of the human resource management system required to effect those changes. For the most part, the board would support and respond to service generated initiatives for change (based on their unique needs) that would enable the service to better achieve its goals. Importantly, the board is intended to be facilitative, responsive, and streamlined.

The Under Secretary of Defense for Personnel and Readiness, based on conclusions of the board, would approve the general design of, or major modifications to, the human resource management system, the pilot programs to test major changes in human resource management policies and practices, and full-scale implementation of new human resource management systems. In general, the board would assess whether the human resource management systems of the uniformed services are consistent with the strategic thrust of the Department of Defense as a whole, while advocating appropriate flexibility to address service-unique issues.

The uniformed services possess very little authority today to pursue the flexibility recommended in this report . . .

. . . a critical role of the board would be to articulate and support the requests for tailored human resource management systems where appropriate in different parts of the department . . .

The uniformed services possess very little authority today to pursue the flexibility recommended in this report – particularly as it applies to the elements of the compensation system. The long-standing view that a virtually "one-size-fits-all" human resource management system is appropriate for the uniformed services and the more recent emphasis on jointness present a difficult, but necessary, hurdle that must be overcome if different parts of the organization are to benefit from policies and practices tailored to enhance their effectiveness. There are many good reasons for commonality of certain policies and practices to support the strategy of the Department of Defense, as a whole. But all the policies and practices that have been common in the past may not necessarily need to be common in the future; each should be tested against the strategy it is designed to support. Therefore, a critical role of the board would be to articulate and support the requests for tailored human resource management systems where appropriate in different parts of the department – where such systems make sense based on the strategy of that part of the department and where they do not adversely impact the ability of the different parts of the organizations to work together toward the common ends of the department. The Defense Human Resources Board would provide a senior-level forum to make the case within the Department of Defense and to Congress for greater flexibility where it is needed and desirable.

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[27] From remarks given at the Forum on Strategic Human Resource Management, February 14, 1996, Washington, DC.

This is not to imply that all decisions affecting the design of a human resource management system are appropriately made by the board. Many “corporate” decisions are more appropriately made, as they are today, at the service level; the board would not restrict existing service flexibilities to address unique issues. In fact, the board should, through a streamlined and responsive process, facilitate the services’ ability to make a case for greater authority and flexibility to achieve their strategies and missions in the context of the overall Department of Defense strategy and mission. Because the focus of the board is to champion tailoring and flexibility in the design of human resource management systems, for those policies and practices that must remain common across the entire Department of Defense, the board would explicitly articulate the reasons – primarily related to strategy – for commonality.

. . . the focus of the board is to champion tailoring and flexibility in the design of human resource management systems . . .

An additional role of the board is to carefully guide the implementation of changes to the human resource management system. In acquisition, new or modified systems can be introduced; and although they may have significant consequences, the consequences are limited or the systems can be modified to minimize the undesirable consequences. When significant changes are made to human resource management systems, however, the consequences can be much more long-lasting and more difficult to recover from. Once they have affected service members, it is difficult or impossible to reverse the effect. Thus, another function of the board, particularly in the design and conduct of pilot programs, would be to ensure that the consequences are well understood and evaluated before service members are placed at risk.

The Defense Human Resources Board would take a strategic perspective, challenging future requirements and raising human resource management issues that span service, functional and operational areas. Together, the operational and human resource management communities would explore alternatives, thus creating a formal, structured process for introducing major new programs and policies into the organization.

The Defense Human Resources Board would be composed of the following members:

- Under Secretary of Defense (Personnel and Readiness) (Chair).
- Under Secretary of Defense, Comptroller.
- Vice Chairman, Joint Chiefs of Staff (Vice Chair).
- Assistant Secretaries of Defense for Force Management Policy, Health Affairs, and Reserve Affairs.
- Assistant Secretary of Defense (Strategy and Requirements).
- Senior Human Resource Executive of the Army, Navy and Air Force. [28]
- Director, Program Analysis and Evaluation.
- Deputy Under Secretaries of Defense for Readiness and for Program Integration.

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[28] To be determined by the service Secretary, but probably the Assistant Secretaries overseeing the human resource management functions. In the acquisition process, the “senior acquisition executive” is the designated official within the service with the responsibility for overseeing the acquisition process. In most cases this has been the Assistant Secretary of the service for acquisition.

- Director for Manpower and Personnel, Joint Staff.
- Chairs of the cognizant working groups, product teams or committees of the Defense Human Resources Board, as appropriate.
- Additional representation (for example, other uniformed services or agencies), as appropriate.
- Defense Human Resources Board Executive Secretary.

Strategic Advisory Group for Human Resources

Based on the concept of a board of directors, an independent Department of Defense Strategic Advisory Group for Human Resources would report through the Under Secretary of Defense for Personnel and Readiness and serve the Defense Human Resources Board. It would provide some of the traditional roles of advice and service common in the other public sector boards, but would have a primary role as a senior-level consultant on strategic planning for human resource management in the uniformed services.

The Strategic Advisory Group for Human Resources would contribute:

- Insight into the process of strategic human resource management outside the uniformed services that could otherwise be obtained only with a widely focused, costly, continuous benchmarking effort.
- Balanced emphasis on the strategic perspective relative to the operational perspective.
- Continuity of strategic intent, in recognition of the relatively frequent rotation of senior military and civilian human resource management leaders. [29]

. . . this independent advisory group would report to the Secretary of Defense at least once a year on the status of strategic human resource management within the Department of Defense . . .

As one of its duties, this independent advisory group would report to the Secretary of Defense at least once a year on the status of strategic human resource management within the Department of Defense and include recommendations for such changes as in the group's judgment would enhance overall strategic planning for human resource management.

It is important to recognize that the discipline of strategic human resource management is a developing field, with continually emerging pockets of expertise. Tapping into this expertise – particularly at the highest level – is difficult; however, the potential value of doing so is improved organizational performance. Although other organizations' experiences with strategic human resource management are not universally transferable to the uniformed services, this report demonstrates that there is much to be learned. And the knowledge can flow both ways, to the mutual benefit of senior human resource management leadership of the uniformed services and other organizations;

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[29] There is another consideration that is more obvious to those within the institution. Within the present military system, the senior civilian and military leadership rotate out of their position about the time they have gained the knowledge and expertise to set the strategic direction of the human resource management organization. The accumulated knowledge of this group would provide an incoming chief of personnel with a valuable resource and tool for continuity and organizational effectiveness.

therefore, the Strategic Advisory Group for Human Resources would include human resource executives (for example, Senior Vice President level), distinguished academics and possibly consultants from leading human resource consulting firms.

There are several roles and precedents for boards of directors that exist within the Department of Defense. As noted above, the Commission on Roles and Missions provides one, albeit temporary, example. Others include the Department of Defense Board of Actuaries and the Defense Science Board. [30]

Figure 5 portrays the general organizational relationships described above and elaborated below.

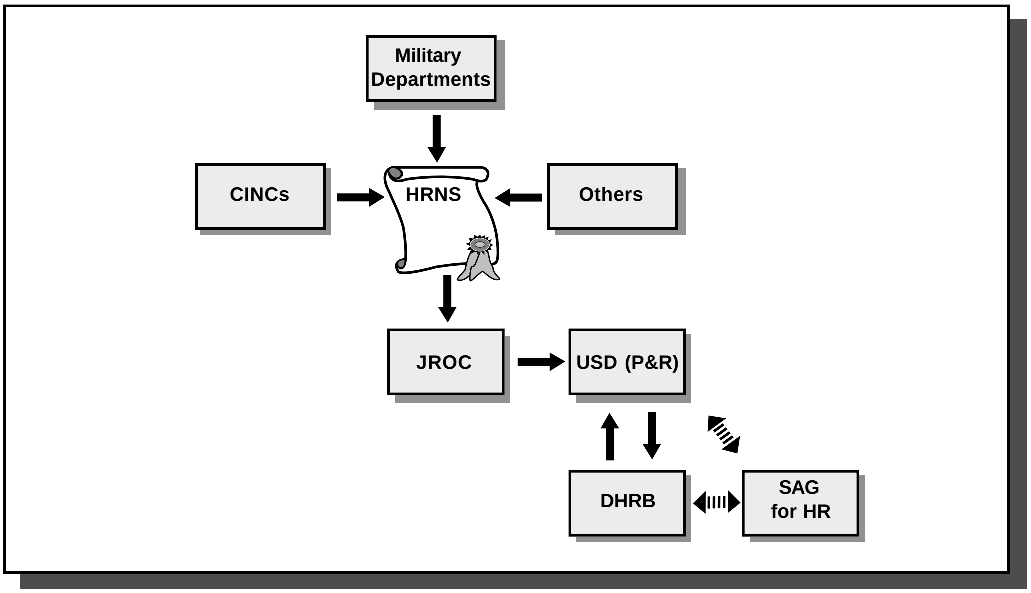

Figure 5 – Defense Strategic Human Resource Management Information Flow

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[30] **Department of Defense Retirement Board of Actuaries**. The Department of Defense Retirement Board of Actuaries was established to advise the Secretary on the operation of the military retirement fund (Section 1464 of title 10, United States Code). The board consists of three civilian members appointed by the President. The board validates the procedures and assumptions used to determine the amount to be contributed by the Secretary of Defense to the military retirement fund to pay for future benefits earned for current service. The board is established as an independent entity, and it brings an understanding of the accepted practices for managing and valuing retirement funds to the overall process. A board of practitioners of strategic human resource management would function in many ways similar to the board of actuaries, though with considerably broader scope, its focus directed toward sharing with the department approaches to strategic human resource management and human resource management policies and practices employed by the best organizations.
Defense Science Board. The acquisition community uses the Defense Science Board (DSB), composed of civilian experts, to advise the department on scientific, technical, manufacturing and acquisition process issues. On the recommendation of the Under Secretary of Defense for Acquisition and Technology, the Secretary of Defense appoints the chairman of the Defense Science Board. The chairman and members of the board are selected based on their “preeminence in the fields of science, technology and its application in military operations, research, engineering, manufacturing, and acquisition process, . . . and may include officials of other agencies or departments of the government with the expertise desired” (Charter for the Defense Science Board, 28 February 1996). The board is concerned with larger, more strategic issues, such as the application of new technologies in order to strengthen national security, and is not tasked to advise on individual procurements. The Defense Science Board is managed under the guidelines set forth in Public Law 92-463 and DoD Directive 5105.4 for Federal Advisory Committees. It is very interesting to note that the Defense Science Board has been used recently to conduct a task force on Quality of Life issues (October 1995) and a task force on Privatization and Outsourcing (May 1996) – issues that have a sole, or at least major, human resource management component. The use of the Defense Science Board to do human resource management work strongly suggests the need for a similar board for the human resource management community to conduct the same kind of functions as the Defense Science Board but oriented toward applications of human resource management trends, processes and systems.

Human Resource Management Milestone Process

Any major change to the human resource management system, such as the types of changes flowing from the process recommended in this report, will typically unfold over a 10-15 year time frame and would be supported and guided by the Defense Human Resources Board. The board would generally consider only the most strategic changes to the human resource management system: changes that would have a profound impact on the character of the system; changes that would require major modifications to statute (authorizing specific changes or providing the department with broad flexibility).

The board would generally consider only the most strategic changes to the human resource management system: changes that would have a profound impact on the character of the system . . .

The process followed by the Defense Human Resources Board, would parallel, but only at the most general level, that used by the Defense Acquisition Board. It will have a similar interface with the planning, programming and budgeting system and will employ a similar milestone process. The Under Secretary of Defense for Personnel and Readiness, with the Defense Human Resources Board, will monitor the funding for the major changes to the human resource management program during each milestone review and approve a program to proceed through the milestones as phases are completed.[31] Figure 6 depicts the milestone decision-making process. The board would meet only at major milestones during the design or implementation of a human resource management system. Changes of the magnitude suggested in this report are unlikely to arise very frequently, and in fact, a prudent approach would be to consider

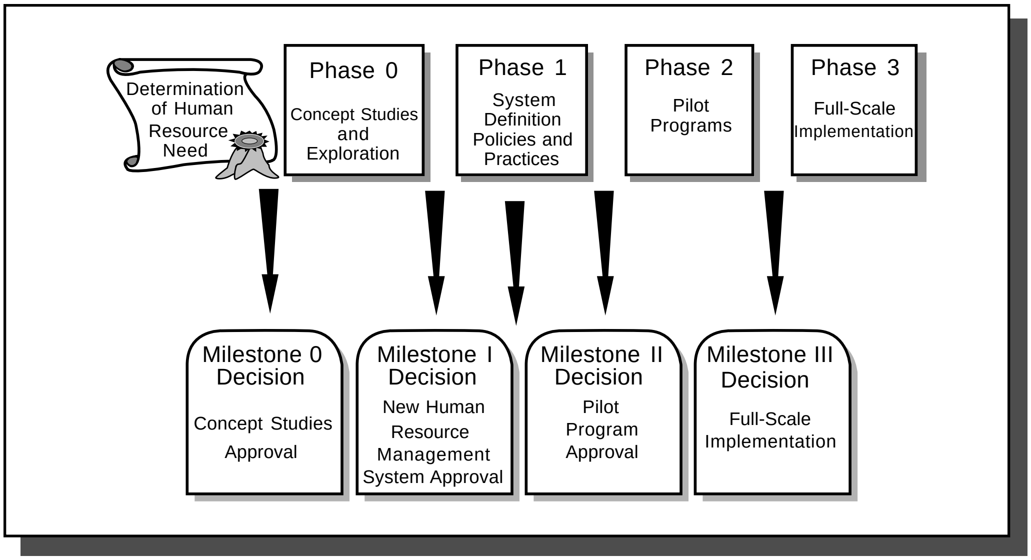
Determination of Human Resource Need
Phase 0
Concept Studies and Exploration
Phase 1
System Definition Policies and Practices
Phase 2
Pilot Programs
Phase 3
Full-Scale Implementation
Milestone 0 Decision
Concept Studies Approval
Milestone I Decision
New Human Resource Management System Approval
Milestone II Decision
Pilot Program Approval
Milestone III Decision
Full-Scale Implementation

Figure 6 – Human Resource Management Milestone Process

changes limited in their scope of application initially (to relatively small communities that currently operate independently). Focusing on one or two major changes to the human resource management system of parts of the department would provide the opportunity to shape this process to provide effective and efficient decisions in this complex area. A discussion of this process, as it might eventually evolve, follows.

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[31] These proposals will assist the Under Secretary of Defense for Personnel and Readiness in playing a more active role in the **planning, programming and budgeting system**. The Under Secretary of Defense for Personnel and Readiness serves as a member of the Defense Resources Board (DRB) which is the senior Department of Defense resource allocation board chaired by the Deputy Secretary of Defense. As a member, the Under Secretary of Defense for Personnel and Readiness is able to exert considerable influence over the planning, programming and budgeting system. Long-term, strategic changes do not fit within the planning, programming and budgeting system calendar-driven monitoring and planning system. That is why it is necessary for the Under Secretary of Defense for Personnel and Readiness to track long-term, event-driven programs through the planning, programming and budgeting system to ensure long-term funding and stability – and a continual movement toward a shared image of the future human resource management system for the uniformed services.

Generation of a Mission Need

An operational requirement expressed as a Mission Need Statement in the acquisition process is generated by a threat, potential economic benefits or technical opportunities. Similarly, a Human Resource Need Statement (HRNS) will be generated by a desired change in the direction of the organization (such as those outlined in Joint Vision 2010, Force XXI, or Air Force 2025); by an external environmental threat or changing expectations influencing the effectiveness of the human resource management system of the uniformed services (such as changing work place characteristics or in social-cultural norms in society, at large); or by opportunities to reduce cost, decrease administration or enhance the effectiveness of a program (such as those derived from innovative policies and practices or use of technology in other organizations).

In cases of major change such as a change in the direction of the department, the Joint Requirements Oversight Council will approve and validate the Human Resource Need Statement (just as it approves the Mission Need Statement in the acquisition process); discuss and approve the mechanism to be used to align the human resource management system, the desired behavior and the expected organizational outcomes; and through the Under Secretary of Defense for Personnel and Readiness, grant permission for program start. In other cases, involving less fundamental shifts (such as a changing environment, changing expectations, or economic and technical opportunities), the Defense Human Resources Board will evaluate identified human resource needs and make similar strategy, behavior and outcome decisions. The Under Secretary of Defense for Personnel and Readiness will chair and the Vice Chairman of the Joint Chiefs of Staff will co-chair the board. Although many human resource needs will not begin with the approval of the Joint Requirements Oversight Council, membership of the Vice Chairman of the Joint Chiefs of Staff on the board will ensure the highest level of operational input.

. . . membership of the Vice Chairman of the Joint Chiefs of Staff on the board will ensure the highest level of operational input.

At this point in the process, approval (Milestone 0 decision) must be granted to proceed with Phase 0 (concept studies).

The following sidebar provides an example of how “Generation of a Mission Need” would actually occur. The example is based on actual legislation regarding pay and incentives for the acquisition community. Throughout the following process description, sidebars will be used to elaborate on the decisions that will be made by the Human Resources Board and the logic of the process. The example begins with a human resource need and continues until a human resource management system has been designed and implemented.

Example: Generation of Human Resource Need Statement

Congress directed the Secretary of Defense, in section 5001(b) of the Federal Acquisition Streamlining Act (1994), "to review the incentives and personnel actions available . . . for encouraging excellence in the management of defense acquisition programs and to provide . . . an enhanced system of incentives . . . that facilitates the achievement of program goals." This enhanced system of incentives was intended to relate pay to performance and to provide for consideration, in personnel evaluations and promotion decisions, of the extent to which performance contributes to cost, schedule and performance goals. This is an example of a Human Resource Need Statement arising from the external environment in response to the changing expectation of the role that pay, performance and promotion systems play in the ability of people to perform the mission.

As initially proposed in the Federal Acquisition Streamlining Act, the incentives were narrowly focused, without an overall strategic context within which to design an effective human resource management system. This is a manifestation of the usual approach taken to develop policies and practices for the uniformed services. Providing a broader, strategic context is the function of the Defense Human Resources Board. The change suggested by the legislation should be viewed in the context of a major program change if it is intended to have a significant impact on the performance of the acquisition community and, consequently, is the type of change that would fall under the auspices of a Defense Human Resources Board. The leadership of the acquisition community, working closely with the board, identifies the need for a fundamental re-design of the human resource management system, make the initial choice of strategic direction – for example, as propounded in this report, by approving an organizational strategy of innovation, describing desired behaviors and choosing expected organizational outcomes; [32] and the Under Secretary of Defense for Personnel and Readiness gives approval to proceed with detailed concept studies (Milestone 0 decision).

Phase 0, Concept Studies

During Phase 0 of the process (concept studies), the Under Secretary of Defense for Personnel and Readiness directs the commitment of initial resources to begin the work approved by the board at Milestone 0. Potential sources for conducting these studies include senior service schools, a consortium of academic institutions, the Strategic Advisory Group for Human Resources, contractors, Federally Funded Research and Development Centers, future quadrennial reviews of military compensation or in-house staff.

Concept studies examine the theory, empirical evidence and trends in human resource management policies and practices that could potentially support the selected strategy, behaviors and organizational outcomes, and provide alternative solutions to the Human Resource Need Statement. These studies lead to the general description of alternative human resource management system designs (or other solutions to the human resource need) with initial estimates of implementation (administrative) and budget (compensation/reward, retirement, benefits, etc.) cost. Although the benefits of a change to a human resource management system at this stage will be difficult to estimate, the concept studies should make every effort to gather empirical data upon which to provide as definitive an estimate as possible. The experience of other organizations can be useful in providing, at least, an order of magnitude assessment of expected benefits. These benefits may be captured in a variety of categories, including for example, production value – productivity, efficiency, and quality factors; financial value – cost avoidance and expense reduction; and human value – security, safety, career growth, morale, cooperation, and job satisfaction. [33] Some will be quantifiable in dollars, but others will measure the potential effectiveness of a change in non-monetary terms. Consequently, a cost-effectiveness analysis is an appropriate means of presenting this information. The Milestone I decision constitutes approval to proceed into the system definition phase. Corporate guidance that sets forth the constraints under which the design of the human resource management system must operate within will be included in this decision.

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[32] Current legislation focuses cost, schedule and performance goals; however, the concept studies team would consider these, as well as other, outcomes.

Example (continued): Phase 0, concept studies

Continuing with the example of a human resource management system for the acquisition community, the Under Secretary of Defense for Personnel and Readiness will establish a team of experts made up of selected acquisition work force members, faculty from ICAF and members from the human resource management community. The Strategic Advisory Group for Human Resources, whose members include senior operating and human resource leaders who understand the acquisition environment in other organizations, provides input to the team. The team, working closely with the acquisition community, will describe the general outlines of one or more human resource management systems that will achieve the desired strategy, behaviors and organizational outcomes. The process described in this report will guide the deliberations during this phase: Desired behaviors and outcomes will be related to strategic choices; and the human resource management strategic choice model (or other analytic tools) will be used to facilitate these deliberations and to focus on the areas requiring further research. An outline of a new human resource management system for the acquisition community will be presented to the Defense Human Resources Board and, if appropriate, a decision (Milestone I) made to proceed with system definition (Phase 1). Included in this decision will be corporate guidance – in this case, perhaps, a requirement that the system facilitate the flow of members from the operational community to the acquisition community to ensure user input throughout the acquisition process.

Phase 1, System Definition

This phase begins with the formation of an Integrated Process Team made up of members of the human resource management community, the operational users and the support contractors. This team would remain committed to the project from system design through program implementation. The integrated team structure promotes an attitude of cooperation, empowerment and experimentation. Work to be accomplished during this phase includes the development of specific policies and practices that support choices made in previous phases; in addition, metrics are developed to measure the success of the new system of policies and practices – such as the ability to achieve the strategic intent of the change, the cultural implications of the change, and the desired organizational outcomes. In the case of a desired change in the fundamental direction of the organization, this phase will ensure defense-wide considerations – corporate guidance – are taken into account in the fundamental design of the human resource management system. The development of policies and practices tailored to the specific needs of the strategic subunits and consistent with the corporate guidance is the major task in this phase.

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[33] Jac Fitz-enz, *Human Value Management: The Value-Adding Human Resource Management Strategy For the 1990's* (San Francisco, CA: Jossey-Bass Inc., 1990), p. 292.

. . . this phase will ensure defense-wide considerations – corporate guidance – are taken into account in the fundamental design of the human resource management system.

Milestone II approval at the end of this phase initiates a pilot or pilots to test the critical policies and practices that make up the recommended human resource management system. Typical issues discussed in a Defense Human Resources Board meeting considering the Milestone II decision would be horizontal integration of other functions with the new human resource process (such as technical support, financial and information systems), cost and funding, implementation schedule, pending and required legislation, and metrics to measure the success or failure of the pilot.

Example (continued): Phase 1, system definition

An Integrated Process Team is formed. Members of the team include human resource management experts, members of the acquisition work force, and support contractors. Design of a human resource management system for the acquisition community may require alternative approaches, so two or more contractors may be hired to develop the detailed policies and practices for the alternative systems. The team will propose an integrated human resource management system designed to meet the desired organizational outcomes of the acquisition community, outline linkages with other functional areas (for example, financial and information systems), and recommend pilot projects, as appropriate, with metrics. Pilot projects are approved by the Under Secretary of Defense for Personnel and Readiness at Milestone II. It is also in this phase that appropriate budgeting initiatives are pursued within the context of the planning, programming and budgeting system.

Phase 2, Pilot Studies

The purpose of pilot studies is to learn from a test of the concept to reduce the risk of unintended consequences upon implementation.[34] The pilot would demonstrate the ability of policies and practices to successfully achieve the intent of the corporate guidance and to promote the specific behaviors desired by the strategic subunits. It would also demonstrate the successful alignment of human resource management system components and the successful integration of the human resource management system with other systems. Finally, it would produce additional information on which to estimate the costs and benefits of implementing the new system. At the end of this phase (if the change is a major change in strategic direction for the Department of

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[34] Pilots are essential in a system change of this magnitude – a change comparable to the transition from conscription to an all-volunteer force. Only such a major strategic change in the human resource management system will be elevated to the Defense Human Resources Board.

Defense), the Joint Requirements Oversight Council becomes involved in reviewing the results of the pilot. Based on this input and the results of the pilots, the Under Secretary of Defense for Personnel and Readiness approves full-scale implementation (Milestone III decision). It is also in this phase that appropriate legislative authorities are sought.

Example (continued): Phase 2, pilot studies

A pilot of a new human resource management system within an acquisition system program office demonstrates the success or failure of the proposed system. If the human resources/acquisition team pilot proves successful, the Under Secretary of Defense for Personnel and Readiness approves full-scale implementation.

Phase 3, Full-scale Implementation

This phase expands the system design from implementation at a pilot level to full scale implementation throughout the organization or department. Work during this phase includes communication of changes to the affected service members, inclusion of system objectives and design in professional military training, and changes in the role, skills and training of military leaders, with special emphasis on the new role of the human resource management experts. Work during this phase also includes the continued tailoring of policies and practices and periodic board review of initial implementation results. Ultimately, the goal is completion and turnover of the responsibility during implementation from the Integrated Process Team to the functional staff in human resources. Products of this phase includes a methodology for continuous evaluation of effectiveness and a process for accomplishing continued change and tailoring.

Example (continued): Phase 3, full-scale implementation

All of the department’s acquisition community would be managed by a new and different human resource management system. This system would support different types of behavior and outcomes than other systems found in the military and support the organizational outcomes suggested by the congressional direction. The new system would be institutionalized and effects from the newly incentivized behavior should be monitored and realized over time.

APPENDICES

APPENDIX I
CHANGE MANAGEMENT PROCESS – A PRIVATE SECTOR ANALYSIS

Introduction

This appendix discusses how large, private sector companies have successfully implemented strategic change. Strategic change addresses what an organization's business is, how it does business, and how it best deploys its resources to meet long-term objectives. The processes companies employ were analyzed to develop a list of events that occur during change and the sequence in which they most frequently occur. These events, organized into four discrete "phases," provide a convenient framework to summarize how other organizations have managed change.

> The process of organizational transformations is too complex to lend itself to a set of regimented steps that are adhered to every time change is attempted. Each change situation is a unique blend of environmental possibilities and constraints, corporate culture, and individual skills. The number of variables these factors generate makes it impossible to establish rules of "organizational change management" – the term connotes a fixed sequence of events that should occur whenever change is initiated. Experience has taught us that altering the course of a large corporation is a complex task, and rigid rules do not incorporate the level of sophistication that is required. This distinction is important because change is a process that unfolds at many different levels simultaneously, not a discrete event that occurs by linear progression. [1]

A review of the experiences of organizations that have undergone transformational change suggests change can not be controlled, but it can be managed. With proper planning and monitoring, accomplished in a systemic way, change can be successfully implemented. Identification of the most prevalent change steps and the order in which they generally occur can inform a systematic change process.

The Results of the Review

The information summarized here is based on what 11 companies who have successfully transformed themselves have said about how they undertook transformational change. Most of these are large, private sector companies and represent a variety of industries such as electronics, utilities, retail, transportation and communication. Seven of the companies are American, two are British, one is Mexican; and one is

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[1] James A. Jacobs, "The Winners Know How to Change, Do You?" *Hospital Materiel Management Quarterly*, Vol. 16, No. 4 (May 1995), p. 18.

Japanese. Two published meta-analyses [2] were also used to supplement the analysis of the 11 individual companies. One of these studies was conducted by Ernst & Young based on their experience in working with private sector companies on organizational transformation. The other study is a 1992 General Accounting Office Report on *Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values*, evaluating nine large companies with diverse, global interests and that have attempted to strengthen or change their cultures.

Appendix Table I.1 summarizes each company's change process (the events and the sequence of those events). The analysis identified discrete events as shown at the top of the table, and the numbers in each cell reflect the sequence each company took in implementing change.

	CEO Vision	Followers/Top Management	ID Critical Processes/Issues	Reengineer Work/Structures/ Rewards/Management Style	Monitored Changes, Got Feedback, Revised	Developed Goals, Measurements, and Monitoring Programs	Communication	Education/Training	Survey	Change Plan	Cultural Diagnosis	Values/Beliefs	Change Team	Analysis of Cost/Risk	Resolve to Initiate/Build Change	Manage Resistance
CIGNA [1]	1	2	3	4	5					2	3					
Motorola[2]	1					2	3	4	1							
WPSX[3]	1	2	3		4	5										
Natl Semiconductor [4]	1	4		3		5		2				3				
Thames Water (UK) [5]	1	2				5		4					3			
FMSA (MEX) [5]	1	2			4	3	5	5								
JC Penny [5]	1	2	3		4			5								
Rockwell [6]	1	2	4		7	8	3	5		6						
Brit Airways (UK)[7]	1	2		5		3		4								
Eisai (JA) [5]	1	2		4	4	3	5	2								
Xerox[8]	1	2	3	4	4	3	5									
Meta-analysis																
GAO [9]	1	1		5			4	2				3				
Ernst & Young [10]	3	4					7	5			8			1	2	6

[1] J. Raymond Caron, "Business Reengineering at CIGNA Corporation: Experiences and Lessons Learned from the First Five Years," *Management Information Systems Quarterly*, Vol. 18, No. 3 (September 1994), pp. 233-250.

[2] Joseph F. Miraglia, "An Evolutionary Approach to Revolutionary Change," *Human Resource Planning*, Vol. 17, No. 2 (1994), pp. 1-24.

[3] Mark Erstling, "Transformation at WPSX," *America's Public Television Stations*, November 1995.

[4] Judith Hamilton, "National Semiconductors' Transformation," Business Workflow Conference, February 1996.

[5] "Change Management at Work," *Chief Executive*, Supplement 1, May 1995, pp. 8-13.

[6] Michelle Kaminski, *Making Change Work*, (Washington, DC: Work and Technology Institute, 1996).

[7] Leonard D. Goodstein and W. Warner Burke, "Creating Successful Organization Change," *Organizaitonal Dynamics*, Vol. 19, No. 4 (March 1991), pp. 5-17.

[8] Robert Howard, "The CEO as Organizational Architect: An Interview with Xerox's Paul Allaire," *Harvard Business Review*, Vol. 70, No. 5 (September 1992), pp. 106-121.

[9] U.S. General Accounting Office, *Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values* (GAO/GGD-96-35) (Washington, DC: U.S. General Accounting Office, February 1992).

[10] James A. Jacobs, "The Winners Know How to Change, Do You?" *Hospital Materiel Management Quarterly*, Vol. 16, No. 4 (May 1995), pp. 18-24.

Appendix Table I.1– Four Common Phases of Change Management

The eight events most frequently cited were categorized into one of four phases of change management.

- Phase 1: Developing a Vision
  - Develop CEO Vision

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[2] Meta-analyses are the aggregation of several independent analyses (in these cases, individual companies) into one overall or higher level analysis whose purpose is to examine the nature, assumptions, structures, etc. of a specific field. In these analyses the critical change steps of several companies were combined to provide insight into change processes within the private sector.

- Phase 2: Developing Support
  - Build followers/top management/change team
  - Develop change plan
- Phase 3: Developing a Change Process
  - Identify critical processes/issues
  - Develop goals, measurements, monitoring programs
  - Communicate
- Phase 4: Implementing the Change
  - Reengineer work/structures/rewards, etc.
  - Communicate
  - Educate and train
  - Monitor changes, get feedback, revise

Phases 3 and 4 contain events that tend to occur simultaneously or that operate in parallel. Recognizing that no one set of rules applies universally, this summary only provides general guidance and a framework for understanding the most significant events in most successful change processes and a general idea of the order in which they should occur.

Phase 1: Developing a Vision

For virtually every company analyzed, the leader of the company had a vision that was fundamentally different from current reality. The stimulus for the vision and the subsequent change program can result from a survey of business units, employees and management, as was done at Motorola. [3] But the more likely source was a negative turn in the perceived fortune of the organization. Many of the companies studied had to make dramatic changes in the way they did business to survive. They were threatened with bankruptcy, privatization or new legislation that dramatically changed their competitive environment. They could not continue to do business the same way; and the CEO, realizing this, articulated a new vision for the organization to help ensure its existence and growth in the future.

Phase 2: Developing Support

The second most common event is the selection and development of a group of followers who are committed to the CEO's vision. These followers can be top management, a selected group of people being groomed for managerial roles, or a functionally diverse, but technically skilled group of managers formed into a "change team."

The General Accounting Office analysis talks about these first two phases as "gaining top management support" and states that all the companies they reviewed considered this to be critical to any successful change effort. Support is not passive; it is characterized as: "strong top management leadership and a display of commitment and support for desired beliefs and values ... senior officials must articulate and lead by organizational values and beliefs to demonstrate to employees that top management is committed to making permanent cultural changes and is not merely paying lip service to them." [4]

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[3] Joseph F. Miraglia, "An Evolutionary Approach to Revolutionary Change," *Human Resource Planning*, Vol. 17, No. 2 (1994), p. 4.

Phase 3: Developing a Change Process

The third phase is associated with three related events. First, it is necessary to identify critical processes or issues that need to be investigated for change. Second, change agents in the organization must develop goals or anticipated desired outcomes for the identified processes or issues; and develop a method to measure the progress and accomplishment of the goals, together with a means of adjusting or modifying the change plan if the process or issue is redefined, if the goals are found to be unrealistic or if they are being measured inaccurately. [5] Third, top management must develop a statement of values and beliefs, although this is sometimes accomplished in Phase 2. Values and beliefs serve as a guideline for reevaluating or reinventing programs and processes or as a foundation upon which to create goals. The communication of a set of values and goals, if widely accepted by members of the organization, can create commitment to the vision and goals of the change plan. [6]

Phase 4: Implementing the Change

The last phase involves four events: reengineering work/structures/rewards, etc.; communicating; educating and training; monitoring changes, obtaining feedback and revising.

The first event refers to the actual work of redesigning (which includes creating or deleting) jobs or roles and restructuring work, processes, work structure and all other supporting systems such as human resource programs to align them to the new way of doing business. Failing to do this prevents the change from being reflected in the reality of the day-to-day operation of the business and its employees. This can dilute and, at worst, dissolve or destroy, change efforts because the words of change are not translated into tangible realities, and old systems or ways of doing business can be obstacles to the change efforts.

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[4] U.S. General Accounting Office, *Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values* (GAO/NSLAD-92-105) (Washington, DC: U.S. General Accounting Office, February 1992).

[5] JC Penney is an example of a company that identified a key process and developed a goal and measures to achieve it successfully. They realized that, to be successful in a highly competitive retail market, its Financial Services group would be critical in building and maintaining customer loyalty. To ensure a high degree of customer service, they identified the ability to solve customer concerns rapidly as a key process. They established a goal and a measure of the level of activity that would make them the best in terms of meeting customer expectations. The goal was to solve 95 percent of customer concerns at the first level of contact. "Change Management at Work," *Chief Executive,* Supplement 1, May 1995, pp. 12-13.

[6] When the Ford Motor Company began a cultural change several years ago, it developed a written statement of its "mission, values and guiding principles." The company considered the articulation and communication of these statements as important in their change efforts because they believe that "[Ford's] culture must flow from and be compatible with its mission and that its employees must clearly understand what its mission is." U.S. General Accounting Office (February 1992).

This event, as with the other events in this phase, builds on and supports the previous phases. New policies, work structures and programs support the changed visions and goals (and values and beliefs) of the company.[7]

Communication is an ongoing activity that should begin immediately after top management has developed a change plan and should focus on the reason for change, the general direction and the desired end state (phases 1 and 2); and it should be an integral part of the mechanisms for change (phase 3). To reemphasize the criticality of communicating change, The Conference Board[8] found that 70 percent of the 130 companies in their survey on corporate communication priorities responded that communication programs specifically directed at dealing with change in their organizations were implemented in their companies in the year preceding the survey.

Communicating the change, including the vision and all associated plans, to the organization begins the process of gaining acceptance for the change throughout the organization. This is critical to its long-term success. The top management or change team, as committed disciples, are essential to this activity. The previous phases all serve to communicate change within a company, but this phase refers to the active communication of new policies, processes and programs. Vehicles frequently used for this purpose are company newsletters, pamphlets, magazines, town meetings, in-house television networks, surveys, questionnaires and videotapes. Any vehicle can be used to spread the word as long as it is done frequently to as broad an audience as is necessary to deliver the corporate messages on change to all those who will be affected by it. There is also evidence that suggests that some messages, such as changes to policies and procedures, can be adequately communicated in these ways but that other messages, such as the reason for change, the effect on individuals, etc., need face-to-face communication with immediate supervisors.

Internal communication programs are more prevalent and must be more effective because employees need to understand all the changes occurring in the company. Also, if part of the company's change involves the widespread use of participatory decision-making systems and the need for continuous feedback from employees to management, then communication must be more frequent and encompass the entire organization. Companies are not simply using communication to "increase understanding," but are using it to drive attitude and behavioral change as well as communicate corporate visions and change plans.[9]

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[7] To reflect the transformational change at National Semiconductor, the command and control management style was replaced with an "empowered work force" where people were encouraged to challenge existing processes. They were allowed to make decisions most closely related to their expertise and function in the organization; and structurally, this meant self-directed teams replaced numerous management levels. Judith Hamilton, "National Semiconductors' Transformation," Business Workflow Conference, February 1996. British Airways, in order to align their human resource programs with their new emphasis on customer service, introduced a bonus system to demonstrate the company's commitment to sharing the financial gains of the airlines success at meeting customer expectations. They developed a new performance appraisal system, based on both behavior and results to emphasize that employee behaviors are important to good customer service. They also installed a performance-based compensation system to reward employees who contributed to the success of the company through good customer service. Leonard D. Goodstein and W. Warner Burke, "Creating Successful Organization Change," *Organizational Dynamics,* Vol. 19, No. 4 (March 1991), p. 13.

[8] Kathryn Troy, *Change Management: Communication's Pivotal Role*, Report Number 1122-95-RR (New York, NY: The Conference Board, July 1995), p. 6.

[9] Troy, p. 10.

Another important way to communicate change is to train people in the new skills they will need to perform in their changed environment. According to the GAO report, training and top management support were the two elements cited by companies as the most important in making change successful. [10] Training is critical to how well people will perform for the new transformed company. [11]

Change is often characterized as a continuous process. Consequently, the change process must be reviewed, revised, reinvented and, if necessary, rejected. This requires continuous feedback from employees and other monitoring activities. For change to succeed, feedback systems must evaluate and monitor the present systems and environment. Evaluation of the environment and internal systems can lead to observations that may generate new change in the organization culminating in new top management vision for the organization.

> Operating effectively in this more complex and volatile business environment requires the capacity to cope with change – and at a very rapid pace. The technology is changing quickly. The demands of the marketplace are also changing. What's more, they're both moving targets. They are going to continue to change. So we have to change the company itself.
>
> *— Paul Allaire*
> *Chief Executive Officer*
> *Xerox* [12]

These examples provide evidence that large private sector organizations can change in significant, transformational ways through systematic and strategic change planning. The process of change derived from the experiences of organizations who have done it successfully can inform change processes for all agencies contemplating large-scale organizational change.

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[10] U.S. General Accounting Office (February 1992).

[11] British Thames Water Utilities was a company facing significant changes in the way they needed to do business after the privatization of all utilities in Britain. They implemented a large-scale education program to give their new customer service staff of 700 training to operate the new customer service system. "Change Management at Work," pp. 10-11. Training is not only used as a tool to promote and develop technical skills as with British Thames Water, but in teaching employees skills related to the new behaviors required in the changed organization such as problem solving, interpersonal skills, group participation and management skills. U.S. General Accounting Office (February 1992).

[12] Howard, p. 109.

APPENDIX II
NOTIONAL CHARTER FOR THE DEFENSE HUMAN RESOURCES BOARD

SUBJECT: Defense Human Resources Board

A. Purpose

This Directive establishes the Defense Human Resources Board (DHRB) with functions, responsibilities, and authorities as prescribed herein.

B. Mission

The DHRB is the senior advisory body to the Undersecretary of Defense (Personnel and Readiness) regarding the policies and practices governing the Department of Defense Human Resource Management System. It provides the forum within which the USD(P&R) approves the general design of, or major modifications to, the human resource management system, the pilot programs to test major changes in human resource management policies and practices, and full scale implementation of new human resource management systems. The DHRB will remain current on policies and practices in the private sector. To that end, it will receive advice from the Strategic Advisory Group for Human Resources (SAG-HR).[1]

The DHRB will:

1. Maintain a strategic perspective of human resource management.
    - Challenge future requirements and raise human resource management issues that span service, functional and operational areas.
    - Provide an integrated human resource management perspective (including compensation, personnel management, manpower, training, recruiting, etc.) that complements the existing planning and programming processes of the Department of Defense.
    - With advice from the Strategic Advisory Group for Human Resources, identify fundamental changes in the strategic direction of the Department of Defense and the general shape of the human resource management system required to effect those changes.
    - Assess the consistency of the human resource management systems of the uniformed services with the strategic thrust of the Department of Defense.

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[1] Membership of the SAG-HR will comprise human resource experts from private sector organizations.

2. Propose and help develop the changes to the human resource management systems needed to achieve organizational outcomes.

- Minimize the amount of bureaucracy in the proposal process.
- Conduct, on an as needed basis, reviews of new Human Resource Need Statements submitted by the services.
- Use the services' experiences to identify new human resource management needs and to help design and implement changes to human resource management systems.
- As the most senior representatives of the human resource management community, sponsor major strategic changes to the military human resource management system.

3. Conduct milestone 0 through III decision reviews [2] of major human resource initiatives.

- Discuss and evaluate the initiatives.
- Ensure the programs are ready to proceed to a more advanced stage in development or implementation.
- Ensure the programs are consistent with the strategy of DoD.

C. Membership and Meeting Attendance

1. The members of the DHRB are:

a) Under Secretary of Defense (Personnel and Readiness) (Chair).

b) Under Secretary of Defense, Comptroller.

c) Vice Chairman, Joint Chiefs of Staff (Vice Chair).

d) Assistant Secretaries of Defense for Force Management Policy, Health Affairs, and Reserve Affairs.

e) Assistant Secretary of Defense (Strategy and Requirements).

f) Senior Human Resource Executive of the Army, Navy and Air Force. [3]

g) Director, Program Analysis and Evaluation.

h) Deputy Under Secretaries of Defense for Readiness and for Program Integration.

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[2] The Milestone process consists of four stages beginning with Milestone 0, the approval of concept studies. The process then proceeds through the approval of new systems (Milestone I) and the approval of pilot programs (Milestone II) to final full-scale implementation (Milestone III). The process may be initiated by the services – through the submission of a Human Resource Need Statement – or by the board itself.

[3] To be determined by the service Secretary, but probably the Assistant Secretaries overseeing the human resource management functions. In the acquisition process, the "senior acquisition executive" is the designated official within the service with the responsibility for overseeing the acquisition process. In most cases this has been the Assistant Secretary of the service for acquisition.

i) Director for Manpower and Personnel, Joint Staff.

j) Chairs of the cognizant working groups, product teams or committees of the Defense Human Resources Board, as appropriate.

k) Additional representation (for example, other uniformed services or agencies), as appropriate.

2. In addition to the DHRB members, the DHRB Executive Secretary shall attend all meetings. The DHRB Chair shall invite managers responsible for programs to DHRB review sessions.

3. The DHRB Chair may invite representatives from other organizations or agencies to participate in DHRB activities on a case-by-case basis if the Chair determines that the presence of the representative is appropriate.

D. Responsibilities and Authorities

1. The DHRB Chair shall:

a) Direct and supervise the operations of the DHRB.

b) Schedule and preside at the DHRB meetings.

c) Ensure that the agendas and supporting documents to be considered by the DHRB are prepared and distributed well in advance of the scheduled meetings.

d) Ensure that issues are addressed comprehensively and strategically.

e) Designate a DHRB Executive Secretary to provide administrative support for DHRB operations and proceedings.

f) Ensure that appropriate reports, documents and records of DHRB activities are prepared.

g) Establish standing human resource committees and ad hoc working groups as required to support the DHRB.

h) Prepare and sign charters or terms of reference, and select Chairs for DHRB committees and working groups.

2. The Vice Chairman, JCS as DHRB Vice Chair shall:

a) Chair meetings of the DHRB when the DHRB chair is absent.

b) Represent the Chairman, Joint Chiefs of Staff and commanders of Unified and Specified Commands on human resource matters, as appropriate.

3. DHRB members shall:

a) Conduct analyses of matters addressed by the USD(P&R), as appropriate.

b) Advise and make recommendations as appropriate to the USD(P&R) regarding program and milestone decisions.

E. Operation and Administration

The DHRB shall operate under the direction of, and report and make recommendations to, the USD(P&R).

F. Effective Date

This Directive is effective immediately.